

INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

PARIS, MONDAY, AUGUST 8, 1988

Subscription rates and circulation information.

ESTABLISHED 1887

MONDAY SPORTS

SENA WINS GRAND PRIX

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Ferry Toll Near 400, India Says

Launch Capsized Crossing Ganges (To Site of Shrine)

By Sanjoy Hazarika... NEW DELHI — Indian Navy divers joined local rescue workers...

Senior state officials said that few could have survived the swift-flowing river, which has flooded vast areas through the Ganges valley...

The Bihar government announced that it would pay the equivalent of about \$40 to relatives of the dead to cover funeral expenses.

Drownings in Bangladesh

Three boats carrying nearly 200 passengers capsized in the Jamuna River in Bangladesh during an earthquake...

The police said most of the passengers swam to safety after the accidents, which occurred on Saturday 40 miles west of Dhaka.

Kiosk

Soviets Patrol Off U.S. Coast... WASHINGTON (AP) — The Soviet Union, after refraining for months from sending nuclear submarines to stations off the U.S. East Coast...

MONDAY Q&A

Shintaro Abe, of Japan's ruling party, says Asian cooperation could become more formalized. Page 2.

General News: Wind shear detection is being tested in the U.S. Page 2.

Business/Finance: OPEC's president said non-OPEC producers remain willing to reduce output. Page 11.

Personal Investing: The U.S. market for initial public offerings is crawling back. Pages 7-9.



THATCHER VISITS REFUGEE CAMP — Prime Minister Margaret Thatcher of Britain and Prince Norodom Sihanouk, Cambodian resistance leader, exchanging greetings Sunday with residents of a refugee camp on the Thai-Cambodian border.

Lebanese Economy: A Survivor Revives

By Ihsan A. Hijazi

BEIRUT — The Lebanese economy is showing signs of recovery despite an increase in factional fighting over the presidential election scheduled this summer.

The civil war is over," Dany Chamoun, a 53-year-old presidential hopeful, has said. He promised that if elected he would get all the warring factions to sign a pact renouncing violence.

The recovery is mirrored by a sharp rise in newspaper, radio and television advertising. Real estate ventures are prospering, and beach club hotels have sprung along the entire Lebanese coastline.

Prime land to Moslem and Christian sectors of the capital has been moved things along. And

Iran Agrees to Talks, Paving Way for Truce

UNITED NATIONS, New York

Iran agreed Sunday to direct talks with Iraq on ending the Gulf War, apparently clearing the way for a cease-fire.

Obviously things are playing out. It's up to the secretary-general to work out the details, and we fully support his efforts.

The negotiations began in earnest July 18, when Iran agreed to the resolution. Iraq had accepted the resolution when it was first passed a year ago.

The two developments were major breakthroughs in peace negotiations that leaped forward, after being stalled for two weeks, in a weekend of intense activity at the United Nations.

Ali Akbar Velayati, the foreign minister of Iran, announced his country's agreement to direct talks following a cease-fire after one of several meetings with Mr. Pérez de Cuéllar.

Iran and Iraq have been jockeying for position over the sequence of events. The negotiations began in earnest July 18, when Iran agreed to the resolution.

Hussein Pushes the PLO To Rule in West Bank

By Jim Hoagland

AMMAN — King Hussein intensified his pressure on the Palestine Liberation Organization to take responsibility for the West Bank and Gaza Strip by urging the PLO on Sunday to establish a government-in-exile, which he said he would immediately recognize.

The PLO has been unable to form a consensus on such a formal structure for the Israeli-occupied territories, according to Arab analysts. Bot the king challenged Yasser Arafat's guerrilla organization to take this step in the radically changed political environment he has created in the Arab world.

Hussein quoted that description five times during the hour-long news conference, each time with apparent irony and only partially masked bitterness directed at the PLO, at West Bank residents who questioned Jordan intentions to ward them, and at his fellow Arab leaders, who first designated the PLO as the sole Palestinian representative at the Rabat summit meeting in 1974.

Bush: The Primacy of Bones

Link to a Yale Club Underscores His Deep Loyalty

By Bob Woodward and Walter Pincus

WASHINGTON — Late one night 40 years ago, locked in the windowless holding on High Street in New Haven that is the home of Skull and Bones, Yale's most secretive student club, George Herbert Walker Bush presented his life history, or "LH," as it is called by Bones men.

The incident was a source of real grief to him. Apparently, Mr. Bush was able to open up to the Bones group to a degree he rarely has been able to duplicate in 25 years in public life, and his relationships with his classmates in Skull and Bones have continued to be an important part of his life for 40 years.

Like his experience in Skull and Bones, many of the important turning points in Mr. Bush's life have not been fully explored. The only recent full-length treatment of Mr. Bush's life is his autobiography, "Looking Forward," which was published last year. It did not mention some important moments in Mr. Bush's 64 years, including his membership in the Yale society.

White, an officer not trained as a naval aviator, who had been begging to go for a ride on a combat mission in the turret gunner's seat; Mr. Bush and the squadron commander let him go. Mr. White had been a Bush family friend. He also was a Bones man. Class of 1942.

Extensive records of Mr. Bush's career in politics, culled from the presidential archives of Lyndon B. Johnson, Richard Nixon and Gerald R. Ford, reveal many new details about important moments in Mr. Bush's long career.

Records at the Johnson library show that in preparing to run for a Senate seat in Texas in 1970, Mr.



George Bush: A look back at some key moments in his career.

Baker Says Bush Suffers Disapproval

WASHINGTON — James A. Baker 3d acknowledged on Sunday that Vice President George Bush had a large disapproval rating but said it would change once he became the Republican presidential nominee.

Hussein did not oppose the demand at the meeting, but he asked both the PLO and the Arab leaders to think carefully about what they were doing.

Mr. Baker, who announced Friday that he was resigning as Treasury secretary to take over Mr. Bush's campaign, disagreed on an NBC News television program that the vice president was 17 percentage points behind Michael S. Dukakis in the opinion polls.

Mr. Annenberg, 80, is Triangle's chairman and was U.S. ambassador to Britain from 1968 to 1974. He plans to retire from publishing, the spokesman said.

U.S. Said to Be Trying To Undermine Arias

By Stephen Kinzer and Robert Pear

SAN JOSE, Costa Rica — Publicly, the United States has praised President Oscar Arias Sánchez of Costa Rica for leading the quest for peace in Central America.

U.S. officials provided information that led to the arrest of one of Mr. Arias's campaign supporters on charges of laundering drug money. And U.S. officials helped demand that Mr. Arias's confidant, John Biehl, be dismissed from his position with the UN Development Program, saying he violated the rules for international civil servants by lobbying against aid to the contras.

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It's Not Just 'English Spoken Here'

World Economy Has Americans Learning Languages

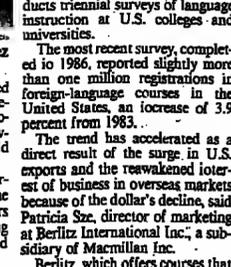
New York Times Service

NEW YORK — Donald Creadore, an attorney with a New York law firm, says speaking English is no longer enough.

range in price from \$199 to \$5,000, said its U.S. enrollments jumped 27 percent last year but declined to disclose its earnings or revenues.

Specialized schools like Berlitz, and cultural organizations that offer courses — like the Japan Society and Deutsches Haus in New York — are not included in the Modern Language Association's survey, making it hard to gauge the full magnitude of the surge in language studies.

Mr. Annenberg, whose father founded Triangle, established the Annenberg School of Communications at the University of Pennsylvania and pioneered the use of television in education.



President Oscar Arias Sánchez

The most recent survey reported slightly more than one million registrations in foreign-language courses.

For example, Montgomery Mackenzie 3d, an assistant to the New York bureau chief of a Japanese television station based in Tokyo, started taking Japanese lessons at the Bilingual USA Corp. in order to make his superiors take him more seriously.

Mr. Mackenzie has a long way to go, he says he thinks that, in his first effort to say it was about to rain in Japanese, he told colleagues

# Abe Suggests Closer Ties for Asia's Industrializing Nations

Shintaro Abe, secretary-general of the Liberal Democratic Party of Japan, is widely viewed as a likely successor to Prime Minister Noboru Takeshita, with whom he has had a long and close association. Mr. Abe, 64, has held a variety of posts in government, and the ruling party since he was first elected to the national legislature 30 years ago. He spoke in Tokyo with Patrick L. Smith of the International Herald Tribune.

ports from the United States increased by 40 percent. Q. Are you satisfied with the pace of adjustment in Japan's trade surplus? Many economists say it's too slow and could be further hindered by the recent depreciation of the yen. A. Again, the expansion of domestic demand, along with the strong yen, is hav-

cent a year, but this is exclusively defensive. We also intend to reduce the burden of U.S. forces stationed in Japan. Our position on other Asian countries is not to aid them militarily while doing as much as we can in terms of economic assistance.

Q. To what extent is cooperation among East Asian nations possible and desirable?

A. China and other countries hurt during the war say worshipping at the shrine means we are unable to reflect on what Japan did. But a lot of countries honor those who died in war, as in the case of Arlington National Cemetery. The purpose is not to show approval of the war but to pray for world peace. Prime Minister Takeshita has decided again this year to refrain from visiting Yasukuni Shrine out of consideration for China's feelings. But I think it's important for both the Japanese people and the administration to pay such visits.

A. The Recruit Cosmos transactions were not illegal. But those in responsible positions must be cautious not to give the impression that only politicians and other leaders profit from this. If it's necessary to make people understand, a new version of the law would be the proper response. But as a financial center, I don't think the incident has damaged Japan's reputation.

Q. Japan is now instituting a new set of subsidies for its farmers. How do you reconcile this with efforts to promote import liberalization? Is Japan prepared to join forces with Europe to defend agricultural subsidies against criticism from the United States?

A. Japan is not alone in protecting certain items — the United States does the same thing. Europe does the same thing. Free-trade principles should be discussed in the Uruguay Round of trade talks or the GATT, not just between the parties concerned. Equally, it is unreasonable for Japan alone to be criticized for providing special subsidies. As for cooperating with Europe, Japan should advance its own views. Whether we join forces with the EC against the United States on the issue of subsidies depends entirely on whether or not we have mutual interests.

## MONDAY Q&A

ing a positive effect on surplus-cutting efforts. Although it won't be easy to reduce the surplus because there are many dimensions to U.S.-Japan trade, we will continue trying. As for the year's recent depreciation, my view is that it is not something we have to worry about at this moment.

Q. Is it the case that Japan will slowly assume some of the security responsibilities in the Pacific currently borne by the United States? If so, is this reflected in Japan's current military buildup?

A. The basic principle is to build our strength to a reasonable extent solely for the purposes of defense, and we will complete our military buildup program with this attitude in mind. True, we are increasing military expenditures by 5 per-

cent a year, but this is exclusively defensive. We also intend to reduce the burden of U.S. forces stationed in Japan. Our position on other Asian countries is not to aid them militarily while doing as much as we can in terms of economic assistance.

Q. But how formal could such relations become? A. While there have been no official meetings among Asian nations, we are aware that relationships among the industrialized countries are growing very strong. With this in view, I believe we can

Q. The recent stock scandal involving discount purchases by government officials of shares in Recruit Cosmos Co. has disturbed many Japanese. Has the administration responded properly? Do you feel this incident, as well as frequent reports of insider trading, damage Tokyo's reputation as an international financial center?

Q. Japan is now instituting a new set of subsidies for its farmers. How do you reconcile this with efforts to promote import liberalization? Is Japan prepared to join forces with Europe to defend agricultural subsidies against criticism from the United States?

# French Rail President Resigns After 2d Wreck

PARIS — Philippe Rouvillois, president of France's state-owned railroad system, resigned Sunday following the second serious train wreck in six weeks. Union spokesmen claimed that the changing of presidents camouflaged the government's own responsibility.

barrier, rode up on it and twisted at a right angle. The other three cars and the engine remained on the tracks.

The SNCF said that the most likely of two hypotheses is that there was a malfunction in the control cable connecting the control cabin in the first car to the engine at the rear. A second, less likely theory is brake failure, the company said.

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In 1985, during a series of three accidents in which 75 died and nearly 200 were injured, the SNCF president, André Chadeau, also resigned in consequence.

Both unions blamed the government's railroad policy, which they say is based on saving money. The current plan is to reduce the SNCF work force by 10,000 a year over the next four years.

On June 27, a train crash at another Paris station, the Gare de Lyon, killed 56 people and injured 32. Those accidents, coupled with several minor incidents, have heightened concern about safety on the railroad, the Société Nationale des Chemins de Fer Français, commonly known by its initials, SNCF.

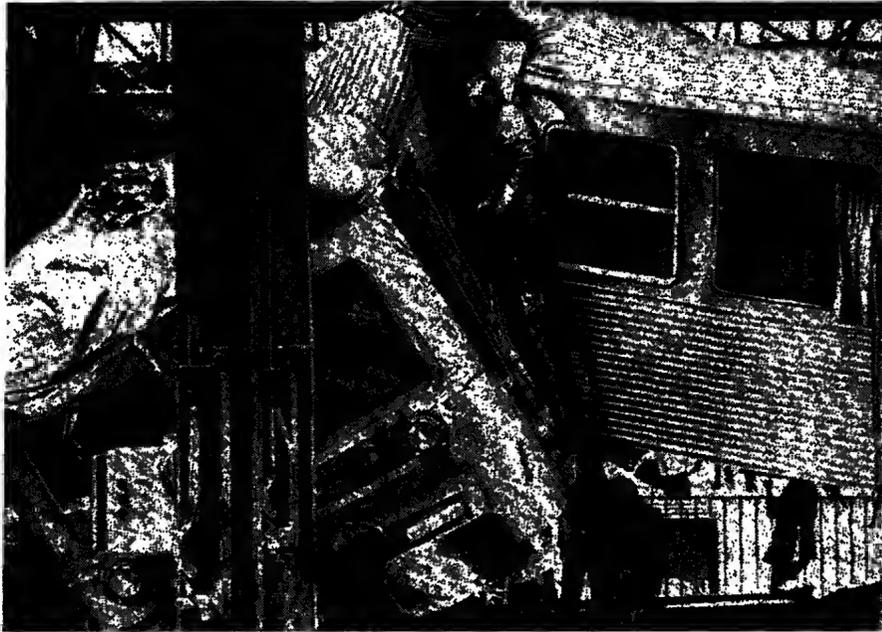
According to SNCF officials, the engineer of the train told them he noticed nothing unusual during his run from Chateau-Thierry, 100 kilometers (60 miles) northeast of Paris, until he entered the Gare de L'Est. Then, he said, the brakes did not respond.

A review of the train's "black box" recorder indicated the engineer correctly braked and that a slowing of the train occurred, the company said. But the recording showed that while braking was normal, the engine continued to push the train, which entered the station at 20 to 30 kilometers an hour (12-19 mph).

Using radar to detect abrupt changes in wind speed or direction and a computer to alert air traffic controllers automatically to the dangers of such wind shifts, the system was in the early days of a two-month trial. Shortly after 4 P.M. on July 11 it flashed alarms.

That was the situation Saturday when the first car slammed into the barrier, rode up on it and twisted at a right angle. The other three cars and the engine remained on the tracks.

At the end of July, the SNCF board of directors instituted new measures calling for improvement in braking capacity.



A French commuter train rammed a terminal barrier at the Gare de l'Est in Paris in an accident Saturday that killed one and injured 57.

# U.S. System Detects Wind Shear, Aviation Hazard

By Richard Witkin  
New York Times Service

NEW YORK — A new system that could go far toward conquering a persistent threat to aviation safety was put into operation at the test one day in July when three loud beeping warnings of the Denver airport tower to action.

shear. At least 30 accidents or incidents in this country have been attributed to it since the mid-1960s, and the death toll is well over 500.

speed indicators used by Denver and other airports to detect wind shears had not picked up the threat.

The test, which ends Aug. 31, is meant to clear the way for awarding of contracts in October for 47 production versions of the oew detection system.

Institute of Technology is also working in the program.

Using radar to detect abrupt changes in wind speed or direction and a computer to alert air traffic controllers automatically to the dangers of such wind shifts, the system was in the early days of a two-month trial. Shortly after 4 P.M. on July 11 it flashed alarms.

As the warnings became more urgent, one crew was told to expect a loss of 80 knots in the lift-generating speed of the airflow over the jet's wings. That is the second-highest loss in lift ever recorded.

The Federal Aviation Administration has set a goal of 100 of the new systems around the country. If that goal is met, each unit is expected to cost \$3.5 million.

Government and industry experts offer varying views whether any of the United States might have crashed without the warning system. But they agree that the equipment more than proved its worth. Some say it might have averted a disaster.

Many airports now use ground-based systems of wind meters scattered around the field; such a system was in place at Denver, but not activated July 11 when the Doppler radar set off alarms.

Nowhere is the impact more visible than on the New York City beaches, where swimming has been banned for weeks. On a hot Sunday afternoon, Staten Island's Midland Beach was eerily quiet, its miles of sand undisturbed by footprints.

In the next seven minutes the controller radioed five United Airlines jetliners that they were approaching one of aviation's deadliest hazards, which pilots call wind

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# Everything Possible After 'Impossible' Anglican Conference

By Peter Steinfels  
New York Times Service

CANTERBURY, England — Anglican bishops from throughout the world have ended a three-week Anglican Conference convinced that their union of independent churches has been strengthened rather than shipwrecked on issues such as the consecration of female bishops and maintaining common church doctrine and authority.

The resolution reversing the ban is limited to cultures where polygamy is socially established. But it upholds monogamy as the Christian ideal and forbids converted polygamists from taking more wives.

The resolution on polygamy was approved overwhelmingly. So were endorsements of further doctrinal discussions with Roman Catholicism, Lutheranism, Eastern Orthodoxy and most other branches of Christianity.

But unity became frayed over a simple recommendation for "dialogue with people of other faiths." Bishops from Africa, Asia and Latin America voiced numerous reservations before passing the resolution. Those bishops felt it might undermine missionary fervor or weaken the resolve of Christian minorities.

But learning the exact species of rodent is likely to be of small comfort to those who would like to stroll the beaches without looking nervously underfoot. New Jersey's Mr. Dewling, for one, does not see the beach garbage as a great mystery.

"Some thought this conference was impossible," the Reverend Robert Runcie, the archbishop of Canterbury, said Saturday at the closing session of the meeting. "Reason and experience suggested we would fall apart."

The resolution brought accusations that the 500 Anglican bishops were encouraging Irish Republican Army terrorism.

Several other measures were designed to strengthen Anglican ties, including a greater role for the 27 primates, the senior bishops who head the separate churches; the initiation of a major theological study of church unity; the drafting of a common Anglican declaration of fundamental doctrines, and the appointment of an advisory body to encourage unity in forms of worship.

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# U.S. Beaches Paying Price of Decades of Pollution

By Howard Kurtz  
Washington Post Service

NEW YORK — The blight spread with the swiftness of an oil slick, first fouling the south shore of Long Island, then the New York City beaches, then part of the New Jersey shore. It has now spread as far north as Connecticut, Massachusetts and Rhode Island and as far south as Maryland.

It has left behind polluted waters, deserted coastlines and a growing sense of unease.

Indeed, it has often seemed during this sweltering summer of 1988 that all of society's problems — from drug addicts' needles to AIDS-tainted blood, from crack vials to nonbiodegradable plastic bags, from raw sewage to dead rats — have come home to roost along the beaches of the Northeast.

From declining oyster harvests in Chesapeake Bay to closed shellfish beds in Texas to copper and mercury contamination in San Francisco Bay, the deterioration of America's waters has been a growing national problem.

Crabs, lobsters and flounder have been turning up with lesions

Earlier last week, the bishops agreed to disagree over the question of whether there should be female bishops. The conference, which is held once every 10 years, also set in place new mechanisms to strengthen Anglican ties.

For three weeks, the bishops tried to bridge deep theological, political and cultural differences and speak to the needs of the 70 million Anglicans worldwide. And they

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U.S. BEACHES PAYING PRICE OF DECADES OF POLLUTION

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## WORLD BRIEFS

### Burma Police Kill 3 Demonstrators

RANGOON, Burma. (Reuters) — The police shot three people to death and wounded 19 during anti-government demonstrations in three towns by protesters armed with stones, spears, swords and slingshots, the official News Agency of Burma said Sunday.

The agency said public gatherings were banned in Pegu, Thantabin and Yenangyaung on Saturday after crowds of angry high school students and citizens violently resisted orders to disperse. The police fired warning shots before shooting into crowds in all three towns, it said.

The Rangoon radio later said 80 people detained with others in the capital's Insein jail in connection with disturbances were released on Sunday. The latest incidents were the worst anti-government violence reported by the official news media since U Sein Lwin took over as leader of the governing Socialist Party on July 26.

### 7 Opposition Parties Unite in India

NEW DELHI (WP) — Opposition leaders from across India, sensing weakness in the ruling Congress Party, have announced the formation of a seven-party united front to defeat Prime Minister Rajiv Gandhi in the next election.

The leaders, representing all parts of the political and geographic map of India, said here Saturday that they would fight under a common banner to decentralize economic and political power. "It's a true federal spirit," On Sunday, the group chose a movie star, N.T. Rama Rao, to be its chairman.

The surge of enthusiasm among a group of politicians who normally have only disdain for each other is a measure of the decline in fortunes of Mr. Gandhi and his ruling party, the All India Congress Committee (AICC). Mr. Gandhi rode a wave of sympathy and desire for national unity after the 1984 assassination of his mother, Prime Minister Indira Gandhi, winning 402 of the 544 seats in the lower house of parliament.

### Report Outlines Albanian-Serb Strife

BELGRADE (Reuters) — Yugoslav security agencies said on Sunday that violence and intimidation by Albanians against Serbs in Kosovo Province were fueling ethnic strife as Serbs in the area threatened to stage new protests.

A report by the Interior Ministry, quoted by the Taming news agency, said that between the start of 1986 and mid-1988, Albanians had committed 300 crimes against Serbs in Kosovo, including two attempted murders and four rapes.

Serbian Communists in Kosovo, at meetings held on Friday, said they were dissatisfied with a recent Yugoslav Communist Party meeting on Kosovo and demanded resignations by politicians they said were obstructing attempts to solve the problem.

### Afghan Pullout Date Is Reaffirmed

MOSCOW (AP) — The Soviet Union and Afghanistan warlord Pakistan on Sunday reaffirmed their support for Afghan rebels, but the Soviet foreign minister, Eduard A. Shevardnadze, said the withdrawal of Soviet troops would be completed on schedule.

"The exit of the Soviet military started and is going as planned," Mr. Shevardnadze told the Afghan news agency Bakhtar. "In a few days, our divisions no longer will be in 25 Afghan provinces. We don't have any doubts that the withdrawal will be completed in the intended time."

Half of the total 100,000 Soviet soldiers are to be out of the country by Aug. 15 under the Geneva agreement signed April 14 by Afghanistan, the Soviet Union, Pakistan and the United States. Mr. Shevardnadze said the Soviet Union would meet that deadline.

### Student Rally in Seoul Turns Violent

SEOUL (AP) — About 500 radical students armed with firebombs and rocks battled riot police Sunday after authorities thwarted a campus rally called to protest for talks with North Korean students.

The violence began when the police sealed off Korea University in Seoul to stop students from holding a rally in support of a weeklong cross-country march that would lead to talks with North Korean students in the Demilitarized Zone. Only minor injuries were reported.

In Kwangju, 11 policemen were injured Sunday when hundreds of students attacked a police station several hours after some 150 students battled police at Chosun University to protest the police blockade of the student march.

### Police Query Getty Officials on Statue

NEW YORK (NYT) — The Los Angeles police, in response to a request by Italian authorities, have questioned officials of the Getty Museum extensively about its acquisition of a statue believed to be the goddess Aphrodite and have found no evidence of improprieties.

William Martin, a detective and a specialist in art theft for the Los Angeles Police Department, said of the Getty officials: "They were open with me. The museum supplied all the information that I asked for. There's no evidence that any American laws have been broken at all."

Mr. Martin said the request from the Italian police had been conveyed through Interpol. He declined to say from whom the museum had said it bought the statue or what it knew about its recent history.

## TRAVEL UPDATE

### Majorca Reports 3-Hour Air Delays

PALMA DE MALLORCA, Spain (AFP) — Flights leaving Palma de Mallorca have been delayed an average of three hours during the past few days, an airport spokesman said Sunday.

Travelers can expect delays of as much as six to 12 hours on some flights, the spokesman added. The delays were caused by what he described as "lack of fluidity in air traffic" arriving and departing.

Israel has had a 10 percent drop in tourism in the first seven months of 1988 from last year, and spokesmen cited televised images of troops clashing with stone-throwing Palestinians. The Central Bureau of Statistics said on Sunday that 720,000 tourists had visited Israel so far this year, down from 802,000 in the record year of 1987. (Reuters)

### This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Colombia.  
TUESDAY: Singapore.  
WEDNESDAY: Ecuador, Nicaragua.  
THURSDAY: Chad, Jordan, Zimbabwe.  
FRIDAY: Egypt, Thailand, Zimbabwe.  
SATURDAY: Bahrain, Central African Republic, Iraq, Lebanon, Oman, Tunisia, United Arab Emirates.  
SUNDAY: Indonesia, Kuwait, Malaysia, Morocco, Pakistan, Vatican City.  
Source: Morgan Guaranty Trust Co., Reuters.

### DEATH NOTICE

SAMIR FARIS

On August 1st 1988, peacefully after a brief illness, at the Sheikh Rashid Hospital Dubai, Samir Faris, beloved husband of Lucille and father of Karim and Mahmud. Samir had a distinguished career in Presidential advertising and was World Advertising Association member. He will be greatly missed by friends and business colleagues throughout the world. A funeral service will be held at St. Mary's Church, Dubai on August 10th at 10:30 a.m. in the family grave. A memorial service will be held at the Brompton Oratory, Knightsbridge, London, at 3 p.m. on 10th August 1988.

The great lakes is Canada. And Seattle. Return

# Middle Class Voters Are Again Favoring Democrats, Poll Shows

By Michael Oreskes

**NEW YORK** — The Democratic Party is recapturing much of the crucial middle ground of U.S. politics as the fall campaign approaches, according to a New York Times-CBS News poll.

By a wide margin, voters said the Democrats were more likely than the Republicans to help the middle class.

The finding is one more sign of the uphill fight facing Vice President George Bush, the likely Republican nominee, as he takes on his Democratic presidential opponent, Governor Michael S. Dukakis of Massachusetts. For one thing, 85 percent of the voters polled identified themselves as middle class.

The subject of national defense continues to be a Republican strength, the poll found, while the Democrats were favored on education and dealing with the federal budget deficit.

Voters said they viewed Mr. Dukakis as more candid than Mr. Bush. They saw the Democrat as competent to manage the government and about as reliable as Mr. Bush in a foreign crisis, an assessment contrary to Mr. Bush's depiction of his opponent as naive in foreign policy.

The public attention on the Democratic convention last month tilted Mr. Dukakis to his largest lead yet. Half the 941 registered voters in the poll, conducted from July 31 through Aug. 3, said they would vote for Mr. Dukakis if the election were held now and a third favored Mr. Bush.

The election, though, is three months away. While the findings cannot predict who will win, they do show that Mr. Bush and the Republicans have work to do.

In a New York Times-CBS News poll in early July, before the Democratic convention, Mr. Dukakis was supported by 47 percent of voters and Mr. Bush was backed by 39 percent.

In the latest poll, Mr. Dukakis clearly led Mr. Bush in all regions but the South, a stronghold for Mr. Bush. Even there, the vice president was slipping.

The Republicans will convene their national convention next week to pass the party standard from President Ronald Reagan, who successfully wooed many middle-class and middle-of-the-road voters, to Mr. Bush, who said recently that he was mistakenly being viewed as a "kind of Ivy League elitist."

The Republicans, whose own

surveys show many of the same problems for them, are hoping to use the attention on their gathering in New Orleans to chip away at Mr. Dukakis's image and to bolster the standing of their candidate and their party.

The Times-CBS poll found both Mr. Dukakis and his party favored by those middle-of-the-road voters who are generally thought of as the swing groups in presidential elections. These include Democrats who voted for Mr. Reagan in 1984 and voters who described themselves in the poll as politically moderate or independent.

In a number of past races, big summertime leads in public opinion polls have evaporated by November. Thomas E. Dewey led President Harry S. Truman 49 percent to 36 percent in a Gallup Poll in August 1948 but lost.

On the other hand, Richard Nixon led George McGovern 57 percent to 31 percent in an August 1972 Gallup Poll and won by an only slightly narrower margin. In the 1960 presidential race, John F. Kennedy and Mr. Nixon were dead even—47 to 47—in Gallup Poll in August and finished the race virtually the same way.

One measure of Mr. Bush's difficulties was the strong response by voters in the poll when asked whether they thought the Democrats or the Republicans would do more for the middle class. They selected the Democrats over the Republicans by 56 percent to 28 percent. The margin of sampling error for the poll was plus or minus 3 percentage points.

"It's a huge switch for Democrats to be back as the party of the middle class," said Harrison Hickman, a Democratic poll taker. Democrats, he said, suffered their largest losses "when they were perceived to be separated from the middle class."

Even one out of four Republicans said they thought the Democrats would do more for the middle class.

Democrats were also viewed as the party that would do more for education and the party that could do more to reduce the federal deficit, a sign that the Democrats were reasserting the image they lost to Mr. Reagan as the party that could handle economic problems.

On national defense, 54 percent said the Republicans would do more to maintain a strong defense. But other polls this year have found that voters are less concerned about this issue than in past elections.



A WHITE HOUSE CHORUS LINE — Nancy and Ronald Reagan practicing a chorus line step with the singer Shirley Jones and the composer Marvin Hamlisch during a rehearsal on the White House lawn for a U.S. public television program, "In Performance at the White House."

# Allies Warned on Troop Aid U.S. House Panel Says They Must Pay More of Burden

By Richard Halloran

**WASHINGTON** — A House Armed Services subcommittee has warned Western Europe and Japan that they must rely less on the United States to defend them and more on their own forces and funds.

Moreover, the subcommittee said in a report Saturday, the allies "should share or pay for all of the additional costs incurred by the United States in stationing its forces overseas."

Those payments "would reduce the U.S. defense burden by more than \$7.7 billion a year," it said.

After several months of hearings, the subcommittee found that much American political support for the deployment of forces overseas had dissipated.

The debate over stationing U.S. forces abroad has continued since the end of World War II, when the issue of whether to withdraw all the American occupation troops arose.

Asked whether troops would be stationed permanently in Europe, Dean Acheson, President Harry S. Truman's secretary of state, said that the answer "is a clear and absolute no."

But today the United States has more than 500,000 members of the army, navy, marines and air force stationed outside the country.

Over the years, efforts to with-

draw some of these forces, such as those by Senator Mike Mansfield in the mid-1960s and Senator Sam Nunn in the mid-1980s, have been beaten back with arguments that the common defense would be weakened.

The House panel asserted, however, that "our allies are not sufficiently aware of the strong political pressure in this country to reduce our defense commitments to our allies unless they are willing to shoulder more of the burden. This view is shared by the Congress."

The subcommittee, headed by Representative Patricia Schroeder, Democrat of Colorado, said that one barrier to equitable sharing of the military burden was the fact that "the U.S. and its allies do not agree on the immediacy or level of the threat even though they face the same adversary in Europe and the Far East."

That discrepancy should be resolved through serious debate, the report said. If the American perception of the Soviet threat appears closer to reality, "the allies should increase their defense spending levels accordingly," it said.

But if the West European and Japanese perception of a lesser threat from the Soviet Union is adopted, the House panel said, the United States should then reduce its military spending and the num-

ber of American troops overseas. "U.S. interests in Europe and the Far East are not as great or immediate as the interests of the Europeans and the Japanese in protecting their way of life," the report said.

"If the United States devoted the same percentage of national wealth to defense as do Germany and Japan, the United States could eliminate the budget deficit and even create a budget surplus."

According to the latest report from the Defense Department, the United States spent 6.8 percent of its gross domestic product on military power in 1986. Germany spent 3.1 percent, and Japan 1 percent.

American forces should continue being deployed overseas, the report said, "but not necessarily at the levels the United States currently maintains in all areas of the world."

To determine those levels, the subcommittee said, a thorough study of American military commitments and bases overseas should be undertaken to assess American interests and the ability of allies to defend themselves.

The subcommittee's senior Republican, Representative Andy Ireland of Florida, said in a statement that the recommendations did not signal a retreat from the North Atlantic Treaty Organization "but rather a long-overdue realignment of defense responsibilities."

# 'Soft' Dollars Raise the Campaign Stakes

By Richard L. Berke

**WASHINGTON** — One of the richest men in America, M. Larry Lawrence, has sought to enrich the campaign of the Democratic nominee in the last 10 presidential contests.

He remembers well the days when candidates were bankrolled by a moneyed elite. He also recalls the change in direction after Watergate, when Congress wrote laws to drive big money out of presidential politics through public financing of campaigns. And he sees the change back.

Fat cats have returned with a vengeance, and they are turning the system of public financing on its end.

"I've raised millions upon millions upon millions for the Democratic Party and I've never seen this happen," he said.

"We're raising money like it's going out of style. It's beyond comprehension. It's so exciting."

Mr. Lawrence, 61, chairman of the Hotel del Coronado in Coronado, California, donated \$100,000 of

his own money to the Democrats in the primaries, and has pledged to raise an additional \$1 million.

Under a formula used to calculate federal spending limits, which took effect with the 1976 presidential campaign, nominees in 1988 get \$46.1 million each in public money for the general election on

And generally, they are spent to promote the national tickets.

With fund-raisers for both Vice President George Bush and Governor Michael S. Dukakis of Massachusetts still in full gear, private money is rushing into Democratic and Republican campaigns as never before, to the point where it may

exceed the total public money allotted to the fall campaign.

Common Cause, a public affairs lobby that closely follows financing issues, has campaigned for years against "soft money," arguing that private dollars undermine the rules.

Last week, the organization asked the U.S. District Court in Washington to give the Federal Election Commission 30 days to devise rules governing its use. Under current regulations, there is no limit on the size of such contribu-

tions, and they need not even be reported.

Over the years, the Republicans have led the way in collecting money not subject to federal limits. This year, Democrats have also become masters of the art.

Aides to Mr. Dukakis, the Democratic nominee, say they plan to raise \$42 million in "soft money" — seven times the amount collected to supplement Walter F. Mondale's presidential bid. They have already raised \$12 million; at this time in 1984, Mr. Mondale was \$7 million in debt.

As for the Republicans of 1988, they say they will raise at least as much as the Democrats to benefit Mr. Bush, the presumptive Republican nominee. In a striking turnabout, the Republicans are blaming the Democrats for fueling the proliferation in spending.

"The Democrats are saying they're going for the big money," said Robert A. Mosbacher Sr., finance chairman of the Bush campaign. "And I don't think there's much we can do about it but match them."

"We're raising money like it's going out of style. It's beyond comprehension. It's so gorgeous. It's so exciting."

M. Larry Lawrence, Democratic fund-raiser.

the condition that they accept no more than \$8.3 million from their parties' national committees.

But these limits no longer mean much. To get around them, private money, raised by the candidates' organizations, is channeled to local party accounts for what are called "party-building" and "get-out-the-vote" drives. These dollars, commonly called "soft money," are just as green as "hard money," federal dollars that go directly to the campaigns.

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INTERNATIONAL **Herald Tribune**

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**On Track on Nicaragua**

Democrats in the U.S. Senate have stumbled onto a good policy on the vexatious matter of contra aid. Their approach is to provide further food, medicine and clothing to the Nicaraguan rebels but to keep military aid in the far background. This tack prevents the collapse of the contras and maintains the basis for negotiations. The Reagan administration keeps proving anew that it cannot be trusted with more. Had the administration shown itself willing to carry out a genuine two-track policy, military and diplomatic, then a case might be made for the new military aid first sought by Senate Republicans. But there never has been an honest U.S. negotiating track. The Democrats arrived at their consensus with inadvertent help from Senator Bob Dole, Republican of Kansas. He taunted them because their national ticket faces two ways on contra aid — Senator Lloyd Bentsen saying yes, Governor Michael Dukakis nay. Now, for the first time in four years, angry Senate Democrats have united on a contra plan. It would give the rebels \$27 million in nonlethal aid but deny them \$16 million already appropriated for weapons, except in narrowly defined circumstances. To release weapons, the more dovish House of Representatives and then the Senate would have to approve a presidential finding that Nicaragua had caused "an emergency situation" with a critical impact on the peace and stability of the region. Granted, Congress might succumb to political pressure in an election year if President Re-

**Playing With Security**

President Reagan's veto of the \$299 billion Defense Department budget bill last week puts politics above national security. Though Defense Secretary Frank Carlucci and the national security adviser, Colin Powell, had problems with aspects of the bill, they recommended White House approval. So did leading congressional Republicans who helped negotiate the legislative compromise. Politics is the only plausible explanation for Mr. Reagan's stand. He must have thought he would make the Democrats look weak on defense and thereby help the candidacy of Vice President George Bush. It is hard to understand how, given the administration's own support for the bill. Meanwhile, the only certain legislative result, since there is so little time until the November election, is policy by continuing resolutions, more confusion and less funds for defense, at least temporarily. The president could not quarrel with the \$299 billion ceiling. That is the figure he and congressional leaders agreed to earlier this year. Instead, he argued that the Democrats had mangled his strategic programs. True, the bill reduced spending on "star

**The Apology Was Overdue**

A dark chapter in American history was closed honorably last week when the Congress passed and sent to the president legislation on the World War II internment of Japanese-Americans. During the early days of the war, military and civilian leaders of the United States were so fearful of Japanese espionage and potential sabotage that President Franklin Roosevelt ordered all persons of Japanese origin to be rounded up and removed from the cities, towns and rural areas of the West Coast. Many of those sent to internment camps were members of families that had been living in the country for generations. Others were naturalized citizens or legal resident aliens. Not one had been charged with any act of disloyalty to the United States, and some had relatives who were fighting in the U.S. armed forces in Europe while they were detained in camps in Wyoming and Utah. Even taking into account the confusion and fear rampant during the weeks following Pearl Harbor, the internment program was indefensible and tinged with racism. No one thought about imprisoning Americans of German or Italian descent, but a

**A Cool Hand at Treasury**

For Nicholas Brady to replace the remarkably capable James Baker as secretary of the U.S. Treasury should raise no one's eyebrows. Mr. Brady's powerful command of economic policy through the second Reagan term, he leaves nothing undone that Mr. Brady cannot handle. If there were turmoil in the currency markets, or another stock market crash, having a man with more experience at the Treasury might be preferable. But Mr. Brady is no greenhorn. He has been a senator and knows the stock market, as chairman both of a Wall Street firm and, more recently, of the administration's study of what went wrong last October. Moreover, the Federal Reserve Board, which would be equally important in a crisis, has strong leadership in the capable, now seasoned hands of Alan Greenspan. Given all the crises of the Reagan years, it is risky to assume that the final months will all be calm. The root problems remain—the U.S. budget and trade deficits, and the Latin debt problem. But the world appears to expect nothing more to be done about them

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International Herald Tribune, 181 Avenue Charles-de-Gaulle, 92200 Neuilly-sur-Seine, France. Tel.: (1) 46 37 93 00. Telex: Adversing, 613595. Circulation, 612832. Editorial, 612178. Production, 630698.  
Director of the publication: Walter N. Taylor.  
Editor for Asia: Michael Richardson, 5 Conventry Rd., Singapore 0511. Tel: 472-7768. Telex: R556928  
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S.A. au capital de 1.200.000 F. RCS Nanterre B 23021126. Comptes Rendus No. 61337  
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**Latin Democracy: The Heroes Were All Local**

By William D. Rogers

WASHINGTON — It will come as a big surprise in Brazil, Argentina, Uruguay, Peru and Ecuador to learn that the Reagan administration claims leadership of the recent democratic advances in those countries. Democracy has indeed enjoyed a remarkable renaissance in the hemisphere during President Reagan's watch. But there is little to suggest that his administration brought about those changes. The recent transitions to democracy in these nations have been the work of local leadership. For the United States to claim credit gives offense to the truth, the principle of nonintervention and the real heroes of the struggle. It was the civilian politicians in the new democracies who helped persuade the armed forces to return to the barracks. It was they, not Washington, who laid down the constitutional basis for civilian rule, who organized the elections and sustained the daily, difficult business of governing with elected parliaments. They neither asked for nor received help from abroad; the United States provided none, save as a role model.

As for principle, domestic electoral politics is off-limits to foreigners in Latin America. The 1948 Charter of the Organization of American States stipulating that no American nation may intervene in the internal affairs of its neighbors — was the culmination of a half-century of effort by the Latins to restrain the United States. Nonintervention is taken seriously in the hemisphere. For Washington to seek a role in Latin politics is to ask for trouble. Take Mexico. The tradition of one-party rule by the Institutional Revolutionary Party collapsed in the election of July 6, Mexico suddenly finds itself with a multiparty system and big opposition blocs in its Congress. What next? Mexicans are struggling to find the answers. For the United States to invite itself into the game would court disaster. The temptation to ignore the principle of noninterventionism, and the companion notion that the United States can or should try to determine the course of political change in Latin America, has been the source of considerable mischief, and much harm, to U.S. relations in the hemisphere. If Latin Americans have not made much of the claim that Washington played a major role in the march toward democracy, they have been clear enough that the United States has a responsibility for its future. The new democracies are in economic crisis. That crisis emerged as Mr. Reagan took office. It continues in the closing days of his presidency. Developments beyond the control of Latin America contributed to the crisis and hence to the fragility of the recent political advances.

While it is hard to argue that the Reagan administration led the recent internal political changes, it is not hard for hemispheric leaders to see U.S. involvement in what has happened to Latin America's economies. The leap in international interest rates, inspired by the U.S. monetary policy response to the Reagan fiscal revolution, made it immeasurably more difficult for the hemisphere to service its debt. Thus, Latin America in 1987 paid 30 percent of its export receipts to international banks and institutions; in Venezuela and Argentina, the figure was 50 percent. Since 1982, the hemisphere's debtors have

**Bush Can't Claim This Century Yet**

By Stephen S. Rosenfeld

WASHINGTON — It is very hard for George Bush to try to make the most of the new promise that has touched the international scene on the Reagan watch, but he stumbles on this ice when he salutes a revival of "the American century," as he did in a speech in Chicago last week. It is a matter of echoes and overtones, but it counts. Henry R. Luce introduced the phrase in a Life magazine article of Feb. 17, 1941, summoning Americans to accept wholeheartedly our duty and our opportunity as the most powerful and vital nation in the world and in consequence to exert upon the world the full impact of our influence, for such purposes as we see fit and by such means as we see fit. He added that "the world of the 20th century, if it is to come to life in any nobility of health and vigor, must be to a significant degree an American century." It was a stirring and timely call for Americans to put aside the lingering isolationism of the day. But the idea of an "American century" carried the germ of a cultural and political overreaching that many Americans came to regret. Especially after the Vietnam War, the idea seemed something of a mockery. More modest and disciplined formulations of American global purpose — formulations at once less boastful, less ambitious, less self-licensing — became the rule. In due course Americans decided they had learned that rule too well, and Ronald Reagan came on strong rejecting it and asserting a Lucean measure of American specialness, duty and prerogative. Here now is Vice President Bush, not merely reciting the Reagan inheritance but inserting the Luce phrase back into the public stream. "The American century has not drawn to a close," he said in Chicago. "We are not in decline. America has set in motion the major changes under way in the world today — the growth of democracy, the spread of free enterprise, the creation of a world market in goods and ideas. For the foreseeable future, no other nation, or group of nations, will step forward to assume leadership." In a sense, Mr. Bush is just putting a rhetorical flourish on his catalogue of Reagan administration achievements. He is also matching Michael Dukakis's identification of himself with another resonant theme, the American Dream. After Mr. Reagan, no candidate wants to come on as the champion of trenchantness. But it is incautious of the vice president to depict a world unfolding according to grand American inspiration or design. It is not simply that such a forecast implicitly discounts Mr. Bush's warning that this is not a time for "timidity, hesitancy and on-the-job training" — when it is safer to go with a new man than when the nation is on a roll? His is a Pollyanna's forecast at odds with his more normal, issue-by-issue caution. It is superficial. Not long ago, the historian Paul Kennedy helped touch off a debate



By KAL in The Economist (London)

on the question of whether America was the latest in a succession of great powers to fail to balance economic means and foreign policy ends. It is presumably to address a contention popularized in Mr. Kennedy's book, "The Rise and Fall of the Great Powers," that Mr. Bush now declares, "We are not in decline." Let us hope he is right. But it is early to hail a new age, and it cuts across good sense and good taste to tell countries that the United States needs to deal with that they are bit players in the "American century." And Mr. Bush has just begun to spell out the policies by which he intends to counter what Mr. Kennedy and others identify as the stuff of the American "fall" — a relative industrial decline, protectionism, trade deficits, budget deficits financed by borrowing, plus a large set of foreign commitments and a growing list of obligations at home. In Chicago as elsewhere, Mr. Bush showed the feel for particulars and the sense of the terrain that are the products of his long foreign policy exposure. With Mr. Bush, however, the question has not been competence but judgment and seriousness. It is important to seek out the larger context in which his views are set. The Washington Post.

**Philippines: Aquino Must Stop This Drift to the Left**

By Francisco S. Tatad

MANILA — Communist guerrillas are on the run in the Philippines; their leaders have been captured; President Corazon Aquino says the insurgency has been "broken." And yet a confidential military document obtained recently says that the armed forces lost nearly all major battles with the rebel New People's Army in the first quarter of 1988, winning only minor engagements. Compared to last year, the number of incidents initiated by the Communist guerrillas has declined. Their method of operation has become more selective. For example, in Bataan Province, not far from Manila, insurgents took over a major town, held it for several hours and vanished into the hills after making their point. In Quezon Province, east of the capital, five military officers were captured recently by guerrillas manning a checkpoint on a busy national highway. The guerrillas are demanding that the government hand over five leftist detainees in exchange for the hostages. General Fidel Ramos, the defense secretary,

said there would be no swap because it would amount to recognizing the rebels as a separate government. Mrs. Aquino and the armed forces have made much of the capture of some Communist leaders in Manila in the past few months. But the value of these arrests should not be exaggerated. They had less to do with military planning than with internal betrayal. Rivalry between Maoist and Marxist-Leninist factions had set off a leadership purge within the revolutionary movement. Now largely over, the purge may have cleansed rather than crippled the movement. The fact that some leaders were seized in Manila, where many of the recent victims of Communist assassinations have fallen, does nothing to weaken the military's claim that 2,700 Communist agents, nearly all of them armed, have established themselves in greater Manila. That development, if true, could have been facilitated by Mrs. Aquino's

decision in 1986 to release all political prisoners and to hold peace talks with the National Democratic Front, a political arm of the Communist movement. Government intelligence assessments say that the Communists and their allies will try to declare a provisional revolutionary government by 1993 and that, in preparation, they will confirm their influence in 30 percent of the 42,000 villages in the Philippines by fielding their own candidates in local elections in November. If it is bad for the government in the field, it is worse in the political and psychological contest. The Communists are defining the issues of the debate: human rights, agrarian reform, the presence of U.S. military bases and nuclear weapons, foreign debt. They have so intimidated those who defend the bases that no serious academic in the Philippines and only a few regional politicians have openly supported the American military presence. On land reform, Communist agi-

**Not Yet a Dragon, but Getting There**

By Bernardo M. Villegas

MANILA — In a region of star performers, the economic recovery of the Philippines is ton easily outshone. In the first quarter of 1988, Japan posted 10 percent growth in gross national product, Singapore 11 percent and South Korea a dizzying 15 percent. The 7.6 percent registered by the Philippines may appear puny. But after four years of life in a wringing, the Philippine economy clearly has rejoined the growth race. With a 5.7 percent increase in GNP last year, the Philippines followed closely behind Singapore and Thailand. Such a significant recovery was achieved without sacrificing price stability: The Consumer Price Index rose by only 3.8 percent. More importantly, there was growth with equity. For example, the 3 percent rise in industrial production in 1987 was fueled by big rises in the purchasing power of ordinary Filipinos, especially in the countryside, where most people live. Less than two years after Corazon Aquino became president in February 1986, households falling below a poverty-line income of about \$120 a month were down from 70 to 55 percent of the population. One and a half million families, or nine million individuals, were able to rise above this level of dehumanizing poverty because of a freer political and economic environment fostered

by Mrs. Aquino's administration. The single most important reason was the dismantling of coconut, sugar, grain and other agricultural monopolies through which former President Ferdinand Marcos and his associates deprived farmers of part of their income. In addition, the Aquino government initiated big increases in salaries for teachers and soldiers. Considerable government revenue was spent on labor-intensive rural infrastructure projects, generating most of the 1.2 million new jobs. Unemployment dropped to 12 percent from 30 percent in 1985, and underemployment to about 33 percent. Thousands of small-scale entrepreneurs also benefited greatly from this atmosphere of freedom. Much of the surge in exports of garments from the Philippines can be attributed to small producers. A gold rush that is spreading to many localities in Mindanao and other islands in the southern part of the country is also generating considerable purchasing power. The consumer-led recovery of 1987 has given rise to a surge in investments in 1988. In the first quarter, total investments rose by 59 percent over the level a year before. Foreign investment was up by 168 percent.

tion has fanned class antagonisms. The government has failed to provide leadership. Despite her popularity, Mrs. Aquino has not mobilized the nation behind an unequivocal counterinsurgency program. Roman Catholic bishops have proposed new peace talks between the government and the National Democratic Front. The military opposes this because it paid a high price for the first cease-fire and the peace talks two years ago. Mrs. Aquino and her supporters in Congress meanwhile criticize the armed forces for seeking to pre-empt the civilian political leadership. The psychological environment in the Philippines is changing. There is a moral and intellectual drift to the left. This can still be arrested, but it means an effective and informed defense of the non-Communist state by the Aquino government. Sadly, there is no sign that President Aquino is aware of the problem or equal to the task of coping with it. The writer, a newspaper columnist, is chairman of the Grand Alliance for Democracy, the main non-Communist opposition coalition in the Philippines. He was information minister from 1969 to 1980, when he left the government in a dispute with President Ferdinand Marcos. He contributed this comment to the International Herald Tribune.

**100, 75 AND 50 YEARS AGO**

**1838: Railroad Disaster**  
LONDON — Summer set in to-day (Aug. 7) suddenly and rigorously. Newspaper-wire the beautiful day was, however, filled with horror, what with the horrible accident on the railway by the banks of the Thames not far from Twickenham. It was after dinner time when a pointsmen was on a right hand track when he should have been on the left hand metals. The driver and the stoker of this engine did not suffer death by their negligence of observation, but unfortunately the driver and stoker who were not to blame were killed. The signalman lives to explain his carelessness, if he can, in presence of an inquest to be held to-morrow over several dead.

**1913: Peace Is Confirmed**  
ATHENS — Definite confirmation of the conclusion of peace at Bucharest has now been received. The Athens

**A Neighbor Should Stay Involved**

By Lawrence H. Berlin

WASHINGTON — The calamity of recent U.S. interventions in Central America should not be allowed to lead to a regression to the approach of Franklin Roosevelt. The hallmark of his policy was tolerance of de facto governments of whatever stripe; America simply announced that henceforth it would be a "good neighbor" to all, democratic or not. But while this policy was right for its time, halting the U.S. interventions had caused so much enmity, it soon outlived its usefulness. It encouraged the seizure or misuse of power by the likes of Trujillo in the Dominican Republic (1930), Batista in Cuba (1934) and Somoza in Nicaragua (1933), and Somoza in El Salvador (1934). This was the best hope for the hemisphere, produced leftist terrorism and rightist repression, and it led directly to Fidel Castro in Cuba and the Sandinistas in Nicaragua. Meanwhile, the United States reverted to a policy of intervention with the CIA's armistice of the reformist Jacobo Arbenz in Guatemala in 1954 — the president for Lyndon Johnson's invasion of the Dominican Republic in 1965 and Ronald Reagan's Grenada venture.

Rather than withdrawal, the model should be John F. Kennedy's Alliance for Progress, a policy of cultural leadership toward positive political, economic and social goals. Many have pronounced the Alliance a failure because at critical moments both President Kennedy and later President Johnson failed to back up Latin American governments attempting reforms that could have injured U.S. investors and because of the resurgence of military dictatorships in the '60s. In many ways, the Alliance was a failure. Land reform, tax reform and programs to provide benefits for the poor were successfully fought by the wealthy. But the economic target of 2.5 percent annual growth in per capita GNP was achieved; throughout the 1960s and 1970s Latin American economies grew at record rates. There was also a vast expansion of education; by 1980 more children were attending primary school, and university enrollment had greatly increased. Life expectancy rose from 55 years in 1960 to 64 years in 1980; two-thirds of a growing population had access to clean water, versus 40 percent of a smaller population in 1960. Meanwhile, profound changes were taking place in society. Economic development became the central political issue in all countries, and this enlarged the horizons of businessmen, professional people, farmers and trade unionists. Even the church became a progressive force. The effect was to "accelerate the pluralization of Latin American societies and correspondingly to diminish the power of the military and the traditional oligarchies.

Today Latin American societies are fundamentally different from the way they were in 1960. And that is why the military governments, which find it so difficult to govern dictatorially and why in country after country they have relinquished power to civil democratic forces. But even if the growth-oriented democracy that President Kennedy called for is now here, it can be destroyed by the debt burden that has been piled up since 1982. \$130 billion in interest and net principal repayments from Latin America, and in Mexico cut real wages by 40 percent. Unless the debt burden is reduced, one of two outcomes is inevitable: Either law and order will break down, and the military will have to intervene, or populist governments will be elected that will renounce the debt. In the latter event, banks in the industrial countries would be severely hurt, and the drying up of credit would drastically reduce Latin American imports, world recession could result. On the other hand, relief of the debt burden would restore growth in Latin America, boost exports of the United States, Europe and Japan, strengthen the world economy, and ensure continuing democratization. The banks would suffer some losses. But their strengthened reserves could ease the shock, as would tax concessions, if necessary. U.S. withdrawal from Latin America would risk not only the collapse of democracy and a world recession, it would make more difficult the solution of pressing problems of the environment, migration and drug traffic. A bold policy of positive engagement is required.

The writer is an economist specializing in Latin America for the U.S. State Department and the World Bank. He wrote this for The Washington Post.

At Treco  
By Michael  
NEW YORK — New York  
Wall Street manager of  
Ronald Reagan to succeed  
as Treasury secretary and  
with a family position and  
now that smoothed his  
boardrooms.  
Even though he served  
from New Jersey, appointed  
months of the term of H.  
in 1982, Mr. Brady's  
man of Dillon, Read &  
outside financial circles  
his collapse in October.  
Mr. Reagan named his  
mission that investigated  
group of experts and pro-  
supported even Wall Street  
wanted detail and  
what went wrong  
to hindsight, the Brady  
most definitive of all the  
said Jeffrey B. Lurie,  
son Lehman Hutton. In  
know as one of those peo-  
what is going on  
The intricacies of dealing  
money were in the air the  
day's childhood.  
The investment firm  
James C. Brady, included  
With Green  
See Setba  
By James M. Mark  
New York Times  
PARIS — Greece's assump-  
of the rotating presidency  
European Community by  
back promotion efforts by  
Europe and the United States  
coordinate anti-terrorist police  
the new of British, French  
West German officials.  
The six-month community  
which Greece took over  
July, also places Athens at the  
of a group that pools the  
and justice ministers to co-  
operation.  
But the officials said many  
times might withhold informa-  
from Greece because of a  
call its own anti-terrorism  
The anti-terrorist imag-  
Greece was damaged in July  
early in 1980 to 64 years  
two-thirds of a growing popu-  
access to clean water, versus 40  
percent of a smaller population  
Meanwhile, profound changes  
were taking place in society.  
Economic development became  
the central political issue in  
all countries, and this enlarged  
the horizons of businessmen,  
professional people, farmers  
and trade unionists. Even the  
church became a progressive  
force. The effect was to "accel-  
erate the pluralization of Latin  
American societies and corres-  
pondingly to diminish the  
power of the military and the  
traditional oligarchies.  
Today Latin American societies  
are fundamentally different  
from the way they were in  
1960. And that is why the  
military governments, which  
find it so difficult to govern  
dictatorially and why in country  
after country they have relin-  
quished power to civil democ-  
ratic forces.  
But even if the growth-oriented  
democracy that President Ken-  
nedey called for is now here,  
it can be destroyed by the  
debt burden that has been  
piled up since 1982. \$130 bil-  
lion in interest and net prin-  
cipal repayments from Latin  
America, and in Mexico cut  
real wages by 40 percent.  
Unless the debt burden is re-  
duced, one of two outcomes  
is inevitable: Either law and  
order will break down, and  
the military will have to in-  
tervene, or populist govern-  
ments will be elected that will  
renounce the debt. In the  
latter event, banks in the in-  
dustrial countries would be  
severely hurt, and the drying  
up of credit would drastically  
reduce Latin American im-  
ports, world recession could  
result.  
On the other hand, relief of  
the debt burden would restore  
growth in Latin America, boost  
exports of the United States,  
Europe and Japan, strengthen  
the world economy, and ensure  
continuing democratization.  
The banks would suffer some  
losses. But their strengthened  
reserves could ease the shock,  
as would tax concessions, if  
necessary.  
U.S. withdrawal from Latin  
America would risk not only  
the collapse of democracy and  
a world recession, it would  
make more difficult the solu-  
tion of pressing problems of  
the environment, migration  
and drug traffic. A bold policy  
of positive engagement is re-  
quired.  
The writer is an economist spe-  
cializing in Latin America for  
the U.S. State Department  
and the World Bank. He  
wrote this for The Washington  
Post.  
The number of students stud-  
ing increased 45.4 percent  
from 1983 to 1986. The  
change increased 28.2 percent  
from 1981 to 1986.  
I think the trend is over-  
whelmingly in the direction  
of NTU's foreign lan-  
guage and translation studies  
program. There's quite a shift  
from the traditional European  
languages.  
Interest in the more widely  
used European languages  
French and Spanish also in-  
creased. The Modern Lan-  
guage Association reported  
that in 1986, the number of  
people studying Spanish in-  
creased 65 percent from  
1981 to 1986, and the number  
studying French grew 1.9 per-  
cent.  
Because much of the new in-  
terest in the business world  
that will send teachers out to  
teach in foreign countries to  
Headquarters, Berlitz and  
to companies to teach  
groups of employees.

# At Treasury, New Boss Is Old School

By Michael Quint  
New York Times Service

NEW YORK — Nicholas F. Brady, the Wall Street financier chosen by President Ronald Reagan to succeed James A. Baker 3d as Treasury secretary, is of the old school, with a family pedigree and Ivy League education that smoothed his way into corporate boardrooms.

Even though he served briefly as a senator from New Jersey, appointed to fill out the last months of the term of Harrison A. Williams in 1982, Mr. Brady, 58, who is co-chairman of Dillon, Read & Co., was not known outside financial circles until the stock market collapse in October.

Mr. Reagan named him to head the commission that investigated the debacle.

In only a few months, Mr. Brady organized a group of experts and produced a report that surprised even Wall Street experts with its wealth of detail and cogent explanations of what went wrong.

"In hindsight, the Brady Report was the most definitive of all the studies after October," said Jeffrey B. Lane, president of Shearson Lehman Hutton. "In this business, he is known as one of those people who knows what is going on."

The intricacies of dealing with vast sums of money were in the air throughout Mr. Brady's childhood.

The investment partners of his father, James C. Brady, included the Rockefellers,

the do Ponts, and the Mellons. His father and C. Douglas Dillon — whose father, Clarence Dillon, made the Dillon Read investment banking concern into a Wall Street powerhouse in the 1920s — were close friends.

The great-grandson of Anthony N. Brady, an Irish emigrant who was a friend and business associate of Thomas A. Edison, Nicholas Brady grew up on a large estate in Far Hills, New Jersey, that borders on the Dillon family estate.

The Brady estate resulted from the accretion of Nicholas's grandfather, James Cox Brady, who also enhanced the family fortunes by founding the Maxwell Motor Co., later bought by the Chrysler Corp.

Like his longtime friend, George Bush, Nicholas Brady was an avid athlete as an undergraduate at Yale University, playing squash and hockey. Although not as devoted to horses as his father was, he has been chairman of the Jockey Club in New York, which oversees racing in the state.

Characteristically, he is remembered for insisting on computerization of his operations to improve efficiency.

At Dillon, Read, which he joined in 1954 after graduating from the Harvard Business School, Mr. Brady was known as a "rainmaker," a partner who could bring new business and help revive the investment banking house's flagging fortunes.

Once one of Wall Street's most influential firms, Dillon, Read ebbed in prominence

after World War II when it failed to keep pace with rivals that built large networks of salesmen to distribute securities to a broader public.

Dillon, Read has spent the last decade in a gradual rebound but has yet to regain a position among the top 10 underwriters. His associates say much of the credit for the turnaround goes to Mr. Brady, who heads the firm along with John P. Birkeland.

In the late 1960s, Mr. Brady managed the firm's first moves into municipal and corporate bond trading, and in 1981 he was a proponent of expanding into the venture capital and investment management businesses.

In 1986, Dillon, Read was sold to the Travelers Corp. for \$157.5 million. Travelers added \$100 million to the firm's capital, more than doubling it.

Mr. Brady's brief stint in the Senate highlighted both his distaste for deficits and his willingness to compromise. Faced with taking a position on how to respond to a federal budget deficit spiraling upward to \$180 billion, he favored an evenhanded approach of spending cuts in entitlement and military programs, combined with increases in revenues.

The new job of Treasury secretary will be reminiscent of his earlier Washington experience in that there will be little time for new initiatives. It is considered likely, however, that Mr. Brady would be asked to stay on if Vice President Bush wins the presidential election.



Nicholas F. Brady, left, meeting the press with James A. Baker 3d.

# Kremlin's No. 2 Leader Disputes Shevardnadze In an Ideological Split

By Bill Keller  
New York Times Service

MOSCOW — In a clear challenge to the current direction of Mikhail S. Gorbachev's foreign policy, the second-ranking Kremlin leader, Yegor K. Ligachev, has publicly disagreed with Foreign Minister Eduard A. Shevardnadze on a key point of ideology.

Mr. Ligachev asserted that Soviet foreign relations had to be guided primarily by the model of a class struggle against capitalism and that too much talk of peaceful cooperation with capitalist countries "only confuses the minds of the Soviet people and our friends abroad."

Mr. Ligachev, speaking Friday at a meeting of Communist Party members in Gorky, appeared to be deliberately rebuking Mr. Shevardnadze, one of Mr. Gorbachev's closest confidants in the Politburo.

Mr. Shevardnadze countered at a conference of foreign policy specialists 10 days before that peaceful coexistence, aimed at averting nuclear war and ecological disaster and overcoming poverty, had to take precedence over the struggle against capitalism.

"The struggle between two opposing systems is no longer a determining tendency of the present era," Mr. Shevardnadze said, according to Tass.

Mr. Ligachev appeared to be signaling displeasure with the general tone of Mr. Gorbachev's "new thinking" in foreign policy.

For two years Mr. Gorbachev has steered away from the ritual courtship of Communist revolutionary movements and cultivated friendships with influential capitalist countries such as India, Mexico, Brazil, Argentina, Saudi Arabia and Kuwait.

Mr. Ligachev has often taken a more orthodox, hard-line approach to domestic issues than his colleagues in the ruling Politburo,

# With Greece as Head of EC, Officials See Setback to Anti-Terror Efforts

By James M. Markham  
New York Times Service

PARIS — Greece's assumption of the rotating presidency of the European Community may set back promising efforts by Western Europe and the United States to coordinate anti-terrorist policies, in the view of British, French and West German officials.

The six-month community presidency, which Greece took over in July, also places Athens at the head of a group that pools the information used by West European interior and justice ministries to combat terrorism.

But the officials said many ministries might withhold information from Greece because of what they call its poor anti-terrorist record.

The anti-terrorist image of Greece was damaged in July after senior Greek officials mistakenly identified two French vacationers as terrorist suspects after the attack on a cruise ship, the City of Poros, that left nine persons dead and 98 wounded.

Greek investigators initially named Isabella Giannou, a 21-year-old French vacationer, as the "Mafiosan accomplice" of the Arabs believed to have assaulted the ship on July 11. She had been photographed chatting with one of the suspects before the attack.

They then singled out "Roland Vigneron" — giving the wrong name for Laurent Vigneron, a 23-

year-old student — as a suspected member of the commando team. Mr. Vigneron died of wounds in a hospital in Piraeus, Greece, and his 20-year-old companion, Annie Audjean, was killed.

In both cases, the Greeks failed to consult with the French police before making their accusations, which prompted indignant denials from the mourning Bismuth and Vigneron families.

The Greek minister of public order, Anastassios Schiotis, later tacitly discarded the suggestion that the French tourists were implicated in the attack when he blamed the terrorist organization led by Abu Nidal for the raid.

The incident prompted the French daily Le Monde to devote its front-page editorial to the issue of Greek incompetence, suggesting that the Greek police made snap judgments to appease domestic opinion. The newspaper said the episode showed that "despite a certain amount of progress made in recent years in the anti-terrorist struggle, Greece remains the soft underbelly of Europe."

In public, West European officials have expressed confidence in the Greek presidency of the European Community. At a foreign ministers' meeting in Athens in July, Sir Geoffrey Howe, the British foreign minister, said other community members would try to help Greece combat terrorism. He

expressed understanding for the special situation of Greece, which is near the Middle East and has island frontiers that are hard to control.

But behind the scenes, other officials said Greece's reputation would make European interior ministries reluctant to share sensitive information with Athens.

"The Greeks are generally badly organized," a French official said.

"And in the matter of terrorism they have certain hesitations."

Several officials said the suspicions about Greece had implications beyond the six-month community presidency. In 1992, the 12 community nations are to abolish their frontiers, permitting an unimpeded flow of goods and people. In theory, that would be a major step toward a united Europe, but it would be hindered to London or Paris.

After the attack on the City of Poros, Prime Minister Andreas Papandreu pledged to take a tough line on terrorism.

"The only way to face it is through international cooperation, since terrorism isn't a national phenomenon," he said. "It's an international one."

But in May, when Greece formally ratified a European anti-terrorist convention, Antonis Drosos, who was then public order minister, cautioned Parliament that Athens would not extradite terrorist suspects if it deemed them to be fighting for "freedom."

# GULF: Iran Backs Talks

(Continued from page 1)

where they take place, will be decided by the secretary-general.

UN Peacekeeping Plans

Earlier, Paul Lewis of the New York Times reported from the United Nations:

Mr. Pérez de Cuellar has told the Security Council that he plans to send a 250-member peacekeeping force to monitor any cease-fire agreement, diplomats said.

The secretary-general reportedly said a force of that size was recommended by Lieutenant General Martin Vadsset of the Norwegian army, who visited Iran and Iraq last week to make preparations for a truce operation.

So far, 24 of the 30 countries the secretary-general has asked to contribute troops to monitor a truce have agreed, officials said. The countries include Canada, Sweden, Denmark, Finland, Austria, Ghana, Fiji and Australia.

The cost of the force is being estimated at about \$40 million a year.

# BUSH: Link to Club Shows Loyalty

(Continued from page 1)

from the life of his famous father, Senator Prescott Bush, recur throughout Mr. Bush's life. Prescott Bush went to Yale, played first base on the varsity baseball team, helmed to Skull and Bores, served in the military at an early age, set out on his own in business after Yale, then moved into public service — and Mr. Bush followed precisely the same path.

Once on the job, according to past associates, Mr. Bush rarely tried to master the subject matter and often remained detached, delegating substantive issues to his aides and letting others conduct the real policy debates.

Mr. Bush's aides and friends repeatedly said that Mr. Bush does not have an ego problem, and can step back and let others handle details.

According to numerous associates, past and present, Mr. Bush has in common with his current boss, Ronald Reagan, a limited attention span. "You have to stand between him and the window or he will spend his whole time looking out the window, day-dreaming," said one frustrated official after an economics briefing for Mr. Bush.

Mr. Bush has always spent considerable energy on personal gestures. He writes notes by the hundreds, both to political associates and old friends, and will make a telephone call the moment one is recommended to him by an aide. But Mr. Bush rarely keeps personal lists of reminders of things to do, according to his intimates; he reacts to immediate stimuli, not to a strategy or plan thought out in advance.

A former administration official who worked closely with Mr. Bush and Reagan observed that Mr. Bush approaches an issue in its own frame, not in a larger context. "He can settle a problem, but not look ahead five years from now."

# Threats Put Greek Police on Alert

By Paul Anastasi  
New York Times Service

ATHENS — The Greek police have been put on alert around the Athens airport, at U.S. military bases and at the offices of U.S. airlines here amid fears of terrorist attacks, according to a senior police official.

The fears involve Palestinian threats over concerns that Greece may extradite a Palestinian wanted by the United States.

A Greek government official confirmed the alert order Saturday. Greek officials said there had

been anonymous calls threatening terrorist attacks if extradition is granted. The officials said armored vehicles and special police units were stationed around the Athens airport, the offices of U.S. airlines and U.S. bases.

Officials said that the Athens diplomatic mission of the Palestine Liberation Organization had reacted strongly to legal developments last week involving the Palestinian, Mohammed Rashid.

The United States wants Mr. Rashid to face charges in connection with the bombings of two U.S. air-

liners, in 1982 and 1986, in which a total of five persons were killed.

On Wednesday, an Athens court dismissed Mr. Rashid's claim that he had been mistaken for someone else. It proceeded with the extradition hearing, but then postponed it until Sept. 5, both at the request of Mr. Rashid and to get additional documentation.

Mr. Rashid, who was arrested in Greece and charged with traveling with a false passport, has acknowledged that he is a supporter of the PLO.

The most severe measure Jordan has taken in cutting links is to cut off its salaries to about 20,000 civil servants working as administrators, teachers and civil servants on the West Bank under Israeli occupation. The annual payroll averaged about \$60 million, according to Jordanian officials.

These officials are certain that the PLO can raise this amount of money, but they acknowledge that Israel is unlikely to allow the PLO to make the kind of banking transfers that Jordan was able to make.

In contrast to his careful avoidance of any direct criticism of the PLO or Arab leaders, Hussein said he was "disillusioned" by the failure of the United States to be more actively involved in Middle East peace efforts. He said he hoped for a new effort by the next administration and closer U.S.-Soviet cooperation in convening a peace conference.

Jordan would attend such a conference, but only to represent Jordanian interests, he said.

Israelis Are United

In Jerusalem, leftist and rightist ministers in Israel's coalition government joined Sunday in rejecting Palestinian plans for an independent Arab state in the West Bank and Gaza Strip, Reuters reported.

# HUSSEIN: Pressure on PLO

(Continued from page 1)

dan River across which trade and travelers cross.

But the king emphasized that these were humanitarian measures taken in order not to inflict hardships on West Bank and Gaza Strip residents.

In his other remarks he underlined the finality of the political rupture between the West Bank and his own kingdom on the east bank of the Jordan, saying at one point, "Jordan does not have any sovereignty over the West Bank."

He appeared to be seeking to dispel the notion that he had been pursuing tactical gains with his decision, which he said he would not go back on.

Union between the two territories came about as a result of a request from West Bank residents in 1950, he maintained, and the union is being dissolved now because "the representatives of the Palestinian people opted for the creation of a Palestinian state on the West Bank soil."

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# LEBANON: Signs in Economy

(Continued from page 1)

been sold to developers who are putting up apartments. They seem unafraid of squatters, who, in the troubled years, occupied luxury apartments after residents were forced to flee factional fighting.

Automobiles of every international make are choking the country's streets. The latest models of Mercedes-Benz, BMWs and even Rolls-Royces mix with a larger number of used cars imported from Western Europe.

A main reason for the appreciation in the value of the national currency is a buildup of foreign exchange reserves by the central bank, known officially as the Bank of Lebanon. These reserves have risen to \$1.1 billion, compared to \$250 million in December. Today, one U.S. dollar is worth 350 Lebanese pounds, as compared with 600 in November.

Foreign exchange began to accumulate in the central bank's vaults after the government earlier this year canceled a fuel subsidy that had been a drain on the treasury. A treasury fund for fuel now shows a surplus. For five years, it had suffered a chronic deficit.

There has also been a determined move to check the rise in inflation, which stood at 400 percent in February. Three months ago, Sejm al-Hoss, the acting prime minister, an economist and

# A Good Day to Love Eights

International Herald Tribune

HONG KONG — In this superstitious city, where people regularly consult fortune tellers and wealthy men pay millions of Hong Kong dollars for lucky-umbered car license plates, Monday is a particularly auspicious day.

It is the eighth day of the eighth month of the year 1988, a day that bodes well for the Cantonese people who predominate in Hong Kong. In their dialect, the word for eight, *bat*, sounds like the word for prosperity, *faat*. Thus, the number eight symbolizes good fortune.

Although the quadruple eight configuration corresponds to the Western, rather than the Chinese, calendar, Hong Kong residents are quite willing to take advantage of the once-in-a-lifetime occurrence. Many local business will christen new premises on Monday, for example.

# SPEAK: Not Just English

(Continued from page 1)

he was going to jump out the window.

But the ambitions that he and thousands of new students share are good news for language schools and the colleges and universities that provide continuing education for adults. Income from language courses is up sharply.

New York University, for example, receives about \$900,000 in revenues from its courses, which range in price from \$280 to \$450, compared with \$566,000 five years ago.

The Modern Language Association says that the most dramatic increase has been in the interest of American students in Asian language courses.

The number of students studying Japanese increased 45.4 percent, to 23,454, from 1983 to 1986, the association said. The number studying Chinese increased 28.2 percent, to 16,891, in the same period.

"I think the trend is overwhelming," said William F. Cipolla, director of NYU's foreign language and translation studies program.

There's quite a shift from the traditional European languages to Asian languages.

Interest in the more-widely studied European languages like French and Spanish also increased.

The Modern Language Association reported that from 1983 to 1986, the number of people studying Spanish increased 6.5 percent, to 411,293, and the number studying French grew 1.9 percent, to 275,328.

Because much of the new interest comes from the business world, some schools are adding programs that will send teachers out to company headquarters. Berlitz and the Bilingual Corp. both send instructors to companies to teach small groups of employees.

# ARIAS: U.S. Campaign Reported

(Continued from page 1)

publicize an audit charging that millions of dollars of U.S. aid had been mismanaged in Costa Rica.

"Publicly, the Reagan administration refers to Arias in a cordial, friendly fashion," said José S. Sorzano, who worked on the staff of the National Security Council until June of this year. "But actually, privately, they have a low opinion of him that borders on despising him. And Arias reciprocates. He has a low opinion of the Reagan administration."

The tension between the two countries dramatizes the Reagan administration's difficulty in winning support for its policies in Central America.

Costa Rica, the region's oldest, stablest democracy, and Guatemala rebuffed the United States last week when Secretary of State George P. Shultz asked them to join in a strong denunciation of Nicaragua.

When Mr. Shultz visited Costa Rica on July 1, he praised Mr. Arias as a man "admired throughout the world for his noble efforts on behalf of peace."

But Robert W. Kagan, a former aide to Elliott Abrams, the assistant secretary of state for inter-American affairs, said, "Arias, more than any other Latin leader, single-handedly undid U.S. policy in Nicaragua."

Mr. Arias is extremely circumspect when publicly discussing his relations with the United States. But friends and associates of the Costa Rican president say he believes the United States is waging a campaign against him.

"I don't think there is a real conspiracy against Oscar by the top Reagan administration people," said Daniel Oduber, who was president of Costa Rica from 1974 to 1978. "But some lower-ranking American officials, both in Washington and in Central America, are

making his life difficult. They want to impose their will on him."

U.S. officials said the U.S. government had no plans to provide money to opponents of Mr. Arias.

Optimism for Contra Bill

Susan F. Ranky of The New York Times reported from Washington:

Senate Democratic leaders, who have offered a \$27 million plan to aid the Nicaraguan rebels as an amendment to a pending military spending bill, say they are optimistic that Republicans would support it Monday when a vote is taken.

The plan, which differs only marginally from one proposed by the Democrats and rejected by the White House early last week, would provide the contras with money for food, clothing, shelter and medical supplies. It would permit a future congressional vote on money for arms and ammunition under carefully limited conditions.

The new version was presented Friday to Republican leaders and Mr. Reagan's national security adviser. A spokesman for the White House said that the administration would have "a definitive position" on the plan early this week.

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August 4

Dollar Straights

Table of Dollar Straights with columns for Issuer, Con, Mat, Price, and Yld. Includes entries for Australia, Canada, and various international issuers.

DM Straights

Table of DM Straights with columns for Issuer, Con, Mat, Price, and Yld. Includes entries for European and various international issuers.

Yen Straights

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Supranational

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# PERSONAL INVESTING

## FOCUS

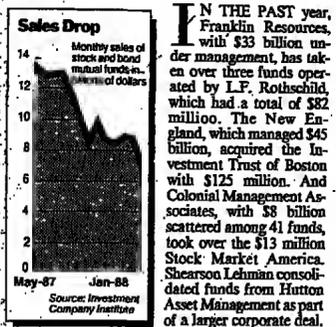
### A Shakeout In U.S. Funds

**T**HE BIG will get bigger and the small will get swallowed. That is how some investment specialists see the mutual fund industry evolving in the years ahead. Already there has been a handful of mergers among U.S. fund management companies this year. And there are rumors of more to come.

Such consolidation, experts contend, was inevitable in an industry that has exploded more than threefold in the last seven years. Yet, the trend has caused concern among some investors who are uncertain about how it will affect their funds.

Since 1981 the number of mutual funds on the market has swelled from 615 to more than 2,200, with more than \$800 billion in assets. But redemptions continue and sales have been sluggish since October. According to the Investment Company Institute, sales of mutual fund shares hit a three-year low of \$7.07 billion in May, roughly \$6 billion below the same time last year.

Experts say that many smaller fund companies are finding it difficult to profit in an increasingly difficult environment. A natural solution, they say, would be to sell out to larger franchises that have deep marketing and sales pockets and a range of products to offer in different economic climates.



**I**N THE PAST year, Franklin Resources, with \$33 billion under management, has taken over three funds operated by L.P. Rothschild, which had a total of \$82 million. The New England, which managed \$45 billion, acquired the Investment Trust of Boston with \$125 million. And Colonial Management Associates, with \$8 billion scattered among 41 funds, took over the \$13 million Stock Market America.

Shannon Larkin consolidated funds from Hutton Asset Management as part of a larger corporate deal. "Small funds are finding that instead of a gold mine, they are putting their own money into the chief cover expenses," says Michael D. Hirsch, chief investment officer at Republic National Bank of New York and manager of a series of funds that invest in other mutual funds. Mr. Hirsch adds that the likely merger candidates will be the smaller, less diversified funds that lack a proven track record and are dependent on outside distribution.

"Many of these funds had no business starting in the first place, they were just going along for the ride," says Mr. Hirsch. "We've felt for a long time that they would need to bail out at the first sign of a major correction in the market."

With a few exceptions, experts say that management companies with fund assets below \$1 billion will not have enough clout to compete successfully in the years ahead. Moreover, notes Michael Goldstein, a mutual fund analyst at Sanford C. Bernstein & Co. in New York, the circumstances that drove the mutual fund boom of the last few years are unlikely to be repeated in the next market cycle.

"In this last cycle everyone did very well because of a whole bunch of factors. Glass Steagall prohibited banks from competing, interest rates fell 1000 basis points in five years and we had the longest bull market in recent memory. We are not likely to see these things occur simultaneously the next time around," he says.

Without the help of such events, Mr. Goldstein notes, the next mutual fund landscape will be one dominated by fund franchises. "In the end, this is a marketing business where brand name and economies of scale are of great importance. There are only a limited number of companies that can compete in that game," he says.

Shareholders are advised to read carefully any proxy material concerning an upcoming merger. Shareholders' approval is required before there can be a transfer of management. "Shareholders are the absolute poison pill," says Jon Fossil, president of Oppenheimer Management Corp. "If they don't agree to hand over their shares, there won't be a sale."

While there is the risk that fund managers will be replaced or may choose to leave rather than adapt their investment psychology to a larger fund operation, for the most part, observers say restructuring will benefit shareholders because inefficient manage-

Continued On Page 8

## UPDATE

### Platinum Plays

**C**OIN INVESTORS on the prowl for platinum now have only two choices: The Isle of Man's Noble or a limited edition Panda coin issued by China. But Australia plans to issue a platinum Koala coin this fall, and a few months later, the Royal Canadian Mint expects to market a platinum version of its gold Maple Leaf.

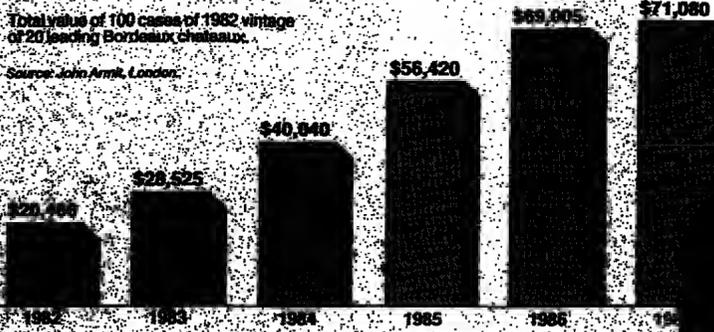
The new coins, likely to range in size from a quarter-ounce to a full ounce, will be welcome, say dealers. Investor interest in platinum has surged as the metal's price has more than doubled since 1985. The new entries will appeal to investors who prefer coins minted by large nations with a commitment to the coin market. "It's going to fill a void, and it's going to be very well received," says Alan Posnick, senior vice president at Mantra, Tordella and Brookes in New York.

Among the factors driving platinum prices higher have been heavy industrial demand and political troubles in South Africa, a major producer. One frequently cited reason is the European Community plan to require all autos to be fitted by 1990 with catalytic converters, which use platinum.

Through the trend upward is widely expected to continue, experts note that platinum prices are given to far wider swings than gold prices. "It is the most volatile of precious metals," says Bruce Kaplan, senior vice president at A-Mark Precious Metals in Santa Monica, California. "In an up market it moves higher much faster than gold; in a down market it moves lower faster." In early February of this year, platinum was selling for about \$440 an ounce; by June it had risen to a high of \$630. Lately, it has hovered in the \$540 range.

Cynthia Catterson

### Bordeaux Prices: Leveling Off



## Wine: A Buyer's Market

**G**rowers are hoping for a small but good crop to underpin the market.

By Jacques Neher

**W**INE GROWERS at the leading chateaux of Bordeaux are praying for a good, but small vintage this autumn. So far, at least, the weather has given them hope. An early and uniform blooming season in June, they say, may allow an early harvest, possibly by the third week of September, reducing the chance that wet weather will affect the merlot and cabernet grapes before the harvest.

"We're looking for as good a wine as possible," says Philippe Cottin, manager of Chateau Mouton Rothschild, one of the premier chateaux of Bordeaux. "Good wine will always sell."

The corollary—that bad wine will not sell—hit home this year for the Bordeaux wine trade, which had to swallow its 1987 vintage, largely unsold in a market already flooded with much better wines. Even though the chateaux have cut their opening prices to the *negociant*, or broker, by up to 30 percent, consumers, investors and even retailers have stayed away from the vintage.

The glut marks a dramatic change for wine enthusiasts, who often say their cellar holdings appreciate faster than their stocks or bonds in the first half of the 1980s. "Prices of maturing wines haven't gone up much over the past two years, and I don't see any reason for prices to increase in the near future," notes Michael Broadbent, manager of Christie's wine department. "The best we can hope for is a steady level."

However, John Armit, head of John Armit Wines Ltd., a London-based wine investment specialist, maintains that wine investing, if made with a long-term view, can still be profitable. "Investors should look at wine as they would works of art, not like they look at the stock market," he said, noting that the top 23 wines represent a total of only 430,000 cases, and that these wines will increase in value as people begin to drink them, thereby reducing the supply.

Though agreeing that the wild appreciations witnessed earlier this decade are not likely to be repeated in the foreseeable future, Mr. Armit said investors can still do well in purchasing 1982 and 1983 Bordeaux "at the right price." At a recent Christie's auction, a case of 1983 Chateau Latour, on the market only in the last year, sold for £280 (about \$480) compared with the £480 price on a case of 1982 Latour.

But the 1987 vintage remains a problem. "It's certain that '87 is not an investment vintage," Mr. Armit says. He has purchased quantities of 1987 only as a "moral obligation" to the chateaux that have supplied him in previous years of high demand.

"We have not purchased a single bottle of the 1987 vintage," said Edward Berry, senior salesman at Justerini & Brooks, a prominent London wine merchant. "Even with prices dropping 30 percent, after tasting hundreds of '87s we took the view that this wine was not worth offering to our customers."

"There was simply no advantage in buying *en primeur* this year," said Mr. Berry, referring to the system of buying wine for future delivery. Wine investment experts normally advise that the best way to invest in wine is by purchasing *en primeur*. The futures contracts are offered for sale the summer following the vintage, while the wine is still in barrels in the chateaux's cellars. Delivery usually takes place two years later.



Michael Broadbent

Wine Advocate, wrote that except for the quality of the top two dozen Bordeaux standard bearers, "most of these chateaux' proprietors seem appallingly isolated from the realities of the marketplace." He said prices of



### Untouched

One part of the wine market largely immune from the effects of surpluses is extremely rare wine. A large bottle of 1811 Lafite recently sold at Christie's for £20,000, while an 1847 Chateau d'Yquem fetched £6,600. This bottle of 1865 Lafite sold Oct. 10 last year for \$15,500 at Christie's Chicago auction.

the 1987s would have to be cut 35 to 50 percent to revive a futures market in the United States.

The normalization of the Bordeaux market, which others have called "coming back to Earth," actually began last year, when the chateaux were forced to drop opening prices by 10 percent over 1985s. The five *premier grands crus*, or first growths—Chateau Mouton Rothschild, Chateau Margaux, Chateau Lafite, Chateau Haut Brion and Chateau Latour—opened their *en primeur* prices for the 1986 vintage at around 180 francs (\$28) a bottle, down from a sky-high 200 francs a bottle for the 1985 vintage. Prices on the 1987 first growths opened at 130 francs, while the 13 second growths opened at around 70 francs per bottle, also down 30 percent from their 1986 prices.

The market, experts say, has finally responded to an oversupply brought on by several very good and plentiful vintages—1982, 1985 and 1986, in particular—and a simultaneous sharp drop in American demand linked

Continued On Page 8

## EMERGING MARKETS

### Betting on India's 'Rajiv Revolution'

Wall Street is rushing to capitalize on the growing mystique of 'emerging markets.'

By Gerard F. Griffin

**A**SIA's smaller stock markets often seem irrepressible. Taiwan's stock market has more than doubled in value in the last 12 months, while Korea is ahead more than 75 percent. Thailand's stock exchange has seen large inflows of foreign money and an advance of more than 50 percent in the last year.

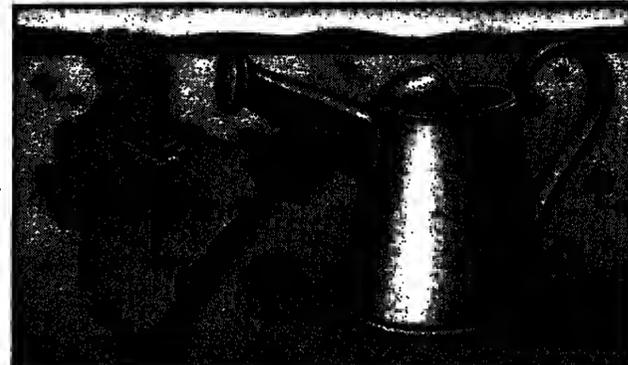
Those successes have been mirrored in a handful of closed-end funds that target these markets. Indeed, since many of these countries restrict foreign investment in varying degrees, the funds are among the few means of investing in these markets. The demand for the funds can be seen in the prices on such issues as the Korea Fund and Taiwan Fund, which have traded on occasion at almost twice the underlying value of their holdings.

With those kinds of figures, it is not surprising that Wall Street is rushing to capitalize on the growing mystique of "emerging markets." This year alone saw the introduction of the Brazil Fund and the Thai Fund on the New York Stock Exchange. The next candidate appears to be the India Growth Fund, which is expected to hit the market in the next week or so. The \$100 million trust will be managed by Merrill Lynch and Unit Trust of India.

But investors will find that India has little in common with the other emerging markets of the region. At first glance, the Indian economic situation does not seem the stuff of dynamic growth.

Agriculture still accounts for almost a third of economic output, though that is only half as much as in 1950. Growth is primarily domestic-driven, with exports accounting for a modest 4.9 percent of gross domestic product. This contrasts sharply with the manufacturing-oriented, export-driven economies of Korea and Taiwan.

The optimistic scenario for India rests almost solely on the continued progress of the "Rajiv Revolution" of Prime Minister Rajiv Gandhi. If he



Charles Waller

survives the next election, which must be held some time before late 1989, observers expect a further round of economic reforms that could add to the efficiency of Indian industry and promote sustained growth.

These reforms would give the country a chance to exploit its vast natural resources, diversified industrial base and hard-won self-sufficiency in food production. Sanjoy Chowdhury, Merrill Lynch's economist for Asia, expects India's economic growth to reach an inflation-adjusted 5.1 percent in the fiscal year to end May 1989. With continuing reforms, he believes the country could sustain that pace for several years. Steady growth would allow companies to tap the wealth of India's substantial middle class, which includes an estimated 120 million consumers.

But a government defect would derail the revolution, note the skeptics. The government has been jolted by unrest in the northwest Punjab region, where a Sikh movement is agitating for independence, and by accusations of high-level corruption. "The real concern for me—or any private investor for that matter—is the political situation," says an emerging markets specialist at a London brokerage. "Will Gandhi survive?"

Political pressures have already induced the prime minister to put aside economic changes that benefit some large, well-off companies. Further deregulation of the country's industries might also drive weak companies out of business and people out of jobs, some politicians worry.

"In India there are large groups of people that

need to be appeased," says Lois Quinn, Asian specialist at the WEFA consulting group. "In the next year, government policy might shift away from the private sector."

Such a shift would prove costly. The economic reforms are widely believed essential for reducing the 11-percent inflation rate and a burgeoning foreign debt.

**D**ESPITE THESE uncertainties, stock market sentiment has improved a bit in recent weeks after a difficult first half. Helped along by signs that the growth in corporate profits is perking up, the Economic Times index stood at 257.4 on June 29, off its 1988 high of 272.2 but about 14 percent ahead of a year ago.

Unit Trust of India is hoping that the share price of the New York-listed fund will fare better than that of a London-listed India fund it has managed. In rupee terms, the net asset value of that fund grew about 25 percent in the 12 months ended June 29, far better than the overall market. But the decline in the rupee over the year trimmed the gain in sterling terms to only about 6 percent. (The New York fund will have the latitude to hedge its currency risk.)

A drought in India and the global stock market crash in October kept the share price of the London-listed fund at a discount to its net asset value for much of 1987. Recently, the fund has been trading at about a 10-percent discount.

## New Issues: Discounts Lure Buyers

By Bruce Hager

**B**ATTERED BY last October's stock market bust, the U.S. market for initial public offerings is slowly crawling back to stability, with investors finding more attractive deals at appealing prices.

For the first six months of the year, 132 companies went public, as compared to 317 during the same period the previous year. In terms of dollar volume, \$12.8 billion was raised compared with \$14.3 billion over the first six months last year.

Although the numbers looked strong for a post-crash scenario, the lion's share belonged to closed-end funds, which raised a total of \$10.4 billion. The biggest closed-end offering was MFS Intermediate Income Fund, a bond portfolio that raised a record \$2 billion on March 11.

"That strength has really been indicative of the bond market as opposed to the equity market," says Evan Guillemin, editor of *Going Public: The IPO Reporter*, a New York publication.

As a whole, however, new issues outperformed the broader market by a better than two to one margin. An index composed of new issues monitored by Standard & Poor's rose 25.6 percent during the first half, while the S&P 500 managed a mere 10.7 percent during the same period.

The reason, say analysts, is that underwriters often had to deeply discount offering prices to entice new investors. "Right after the crash, everything pretty much dried up," says Peter Shraga, editor and publisher of *The Value Line New Issues Service* in New York. "There were some actual registrations and completion of new issues, but it slowed pretty much to a crawl."

Robert Natale, editor of S&P's new-issues newsletter, *Emerging & Special Situations*, says the typical IPO normally goes public at an average 5 percent discount to industry multiple. Over the last few months, however, IPO discounts have ranged between 10 and 15 percent.

New issues have also been aggressively marketed to investors. In fact, buying enough shares has been a problem for some big investors. Mutual fund managers say the number of investors in the IPO market has grown considerably and it has been difficult to obtain a sufficient amount of shares in certain offerings.

For example, Ronald Lewison, one of the portfolio managers of the Chicago-based Stein Roe Farnham Discovery Fund, which specializes in emerging growth companies, wanted to buy 10 percent of the offering for Varitronic Systems last March, or about 120,000 shares. The offer was so overly subscribed, however, that the fund received only 2,000 shares.

As it turned out, Varitronic, a Minneapolis-based manufacturer of machines that produce type on adhesive backed tape for labels, was the best performing IPO in the first half. The company, sold over-the-counter, had sales last year of \$26.5 million. After its debut last March at \$11, the stock shot up to \$23.50, a 113.6 percent gain.

The runner-up was Octel Communications, a voice processing system manufacturer that makes synthetic voices for telephone answering machines. Located in Milpitas, California, the \$19.2-million company went public last February at \$7. The price more than doubled on the over-the-counter market by the end of the first half.

Also in the top 10 was Office Depot, which went

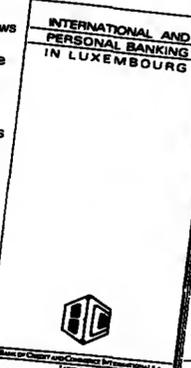
Continued On Page 8

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THE BOURSES

Top 10 IPO's in First Half

Table with 5 columns: COMPANY, DATE, OFFER PRICE, JUNE 30 PRICE, GAIN. Lists top 10 IPOs including Varitronic Systems Inc., Octel Communications, IMC Fertilizer Group, etc.

New Issues: Attractive Prices

Continued From Page 7 public on May 31, selling 2.1 million shares at \$10. The stock closed on June 30 at \$15.25 for a 52.5 percent gain.

Many analysts believe that the trend will continue to be stable throughout 1988.

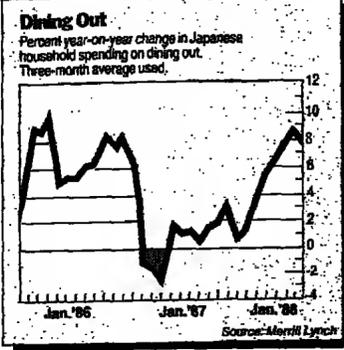
which recommended the stock when it went public. Peter Straga of The Value Line New Issues Service likes several of the recent new issues. One is Index Technology Corp., which went public last June at \$12 and is currently selling over-the-counter at around \$13.

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Tokyo: An Appetite for Restaurant Shares

By Patrick L. Smith

TOKYO, even more than most markets, tends to work on the principle of revolving trends. In recent months, large-capitalization stocks such as steels, electricals and autos have pushed ahead.



But they should remain steady at least through this year. But the sector's attraction is more than a matter of Japan's broad rise in domestic consumption.

Family restaurants — Western-style chains serving suburban communities throughout Japan — first took off in the early 1970s, when the lower end of the consumer-spending scale was just the right place to aim.

Economic trends are crucial to the view that these companies' fortunes are on the rise. Virtually every economist in Tokyo anticipates a slowdown in industrial activity later this year.

WINE Wine: A Surplus Weighs on the Bordeaux Market. Continued From Page 7. Crus, an organization representing 120 top Bordeaux growers.

CLOSER TO THE kitchen, the recent accord between Tokyo and Washington liberalizing imports of beef and citrus is expected to provide a significant cost-cutting opportunity for most family restaurants.

to rising prices and a falling dollar. Americans, who previously could be counted upon to buy up about 25 percent of the investment-grade Bordeaux wines, now take only a fraction.

Compounding the problem has been the willingness of the American market to latch on to fine non-French wines over the past few years, according to Mr. Parker.

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Shakeout in Funds. Continued From Page 7. ment will be replaced with a stronger, more competent team. 'If their business was booming, they wouldn't be looking for a merger,' notes Sheldon Jacobs, publisher of the No-Load Fund Investor newsletter.

STRATEGY Betting On Lower U.S. Rates. By Gerard F. Griffin. THE UPWARD DRIVE in interest rates spoiled the mood of the U.S. economy.

Total Return. Total return measures either in dividends or in the value of a year's earnings. Includes a chart showing total return for stocks and bonds from 1970 to 1987.

SHERIDAN MORLEY IN THE LIGHT EVERY WEDNESDAY WITH PERCEPTIVE CRITICISM OF THE LONDON THEATER. Includes a logo for IYS Bank of America.

STRATEGY

# Betting On Lower U.S. Rates

By Gerard F. Griffin

**T**HE NEW YORK DRIFT in interest rates has spoiled the mood in the bond markets. In the last five months, yields on long-term Treasury debt have risen nearly a full percentage point, hammering bond prices.

The culprit is the stubborn resilience of the U.S. economy. Strong economic statistics have led many economists to believe that healthy credit demand will keep interest rates at least at their current levels for several months.

But there is a minority view: The economy's strength is deceptive, say these doubters, and interest rates will fall when the weakness becomes apparent.

Indeed, large parts of the U.S. economy are struggling, argues Irwin Kellner, chief economist at Manufacturers Hanover Trust. "It's not a forecast but a fact that one-half of the private sector economy is in a recession," he says. He expects interest rates to fall to 8.5 percent by the year's end.

Investors who subscribe to that minority view have been casting their eyes on what had become an overlooked corner of the market—zero coupon bonds. These instruments offer a way to lock in current, higher yields and record big capital gains in the event of an interest-rate decline. "Zero coupon bonds are as attractive as they've been in 18 months," says Peter Niculescu, a senior analyst at Salomon Brothers.

The basics of zeros are known to most investors. Zeros are created by investment firms that take U.S. government bonds and "strip" them of their semiannual coupon. The stripped bond, which pays \$1,000 at maturity, is then sold at a steep discount to that face amount.

The difference between the price paid for the bond and its value at maturity represents the interest earned. Kidder Peabody, for example, was recently quoting a 20-year zero coupon bond at a price of \$153. At maturity, it will be worth \$1,000. The \$847 difference represents an annualized yield of 9.43 percent over the life of the bond.

Zeros have long enjoyed a following among long-term, conservative investors who saw advantages in receiving a specific sum of money at maturity at a known price. Individuals planning for future expenses, such as retirement and children's college tuition obtained the security of a government bond without the inconvenience or uncertainty of reinvesting semiannual coupon payments. Mike Danaher, in charge of zero trading at Prudential Bache, says much of his business, which has been "very active," has been to "mom-and-pop types" with just those needs in mind.

But the U.S. tax reform bill of 1986 undercut this "mom-and-pop" market. Under the new rules, zero holders are taxed as if they were receiving coupon payments. That is why zeros tend to be bought for retirement accounts or

in other situations where tax is deferred.

Volatility is another reason zeros have been ignored. Because they do not provide regular interest payments, the prices of zeros are far more sensitive to interest rate movements than those of conventional bonds. A one-percentage point rise in long-term interest rate would lop about 15 percent off the price of 20-year zero, while a conventional 20-year Treasury would lose only about 7 percent of its value.

But aggressive players in the bond market see that kind of volatility working in their favor if interest rates slip lower. In that

event, long-maturity zeros will move up in price about twice as fast as comparable conventional bonds.

Zeros' lack of popularity is seen as a plus in this view. The dearth of investor interest makes it more likely that the sector is a bargain. "Zeros have become cheap in the last two months," says Mr. Niculescu. "People are expecting they will do better."

A wrong bet, though, could be costly. "Zeros give you the most bang for the buck," says Ian McKinnon, a bond-fund manager at Vanguard, the mutual fund group. "But, of course, that bang can explode in your face."

## July Market Scoreboard

New York Stock Exchange:		American Stock Exchange:	
Percent Change	Price July 29	Percent Change	Price July 29

New York Stock Exchange:					
Compiled by Media General Financial Services. Prices in dollars					
Japson Corp.	+64	11.25	Biocraft Labs	-31	10.63
Wireteq-Pittsburgh	+54	22.00	Tandem Computers	-28	14.50
Interco	+53	68.50	Par Pharmaceuticals	-23	14.00
Honda Motor ADR	+41	173.00	Howell Corp.	-22	10.13
Polaroid Corp.	+36	42.38	MGM/UA Commun.	-21	11.75
Hitachi Ltd.	+35	147.38	Ultimate Corp.	-20	10.50
Amra Group	+35	41.38	Baltimore Bancorp	-20	13.38
Sony Corp.	+33	52.50	Data General	-20	19.00
RB Industries	+29	11.00	Advanced Micro	-19	13.38
Athlona Industries	+26	22.50	Toro	-18	19.25

American Stock Exchange:					
Technical Tape	+123	13.38	MSI Data	-30	10.13
IncStar Corp.	+93	10.63	Taxaa Air Corp.	-24	11.25
Winston Furniture	+83	11.00	Averson Technology	-22	12.25
O'Sullivan Corp.	+38	20.00	Howtak	-19	15.13
Bamberger Polymer	+32	12.50	Eastam Co.	-18	14.75

Over the Counter:					
International Game	+179	23.38	Shoney's Inc.	-55	11.88
Wiring Freight	+93	35.13	Infomix	-46	12.75
Starpointe Savings	+57	16.50	Kirschner Medical	-40	16.25
SciCom Data Services	+48	10.00	Seagate Technology	-38	11.13
Trimedyn Inc.	+47	19.25	Silicon Graphics	-33	15.50

London Stock Exchange:					
Compiled by Morgan Stanley Capital International. Prices in pence					
BSR International	+43	100	Barratt	-11	175
Taylor Woodrow	+33	569	Ocean Transport	-11	250
Amersham International	+28	585	Tesco	-9	141
Johnson Matthey	+22	358	Next	-8	231
Bank Hovis McDougall	+16	482	Reuters Holdings B	-8	502
Sony Corp.	+16	271	John Laing	-8	308
Oxford Instruments	+16	214	Storehouse	-7	240
British Aerospace	+15	470	George Wimpey	-7	249
Sears PLC	+15	138	Fisons	-6	249
Reed International	+15	468	Cadbury Schweppes	-6	375

Tokyo Stock Exchange:					
Compiled by Morgan Stanley Capital International. Prices in yen					
Honda Motor	+41	2,350	Nippon Light Metal	-20	656
Mitsui Shipbuilding	+38	707	Osaka Titanium	-18	1,810
Hitachi Ltd.	+35	1,950	Nippon Mining	-18	579
Sony Corp.	+32	6,950	Furukawa Co.	-18	530
Daiichi	+30	2,320	Kinki Electrical	-15	2,470
Isatani	+27	2,100	Aligata Engineering	-15	541
Inageya	+27	3,910	Fujita Tourist	-14	2,210
Toyota Motor	+27	2,950	Itohama Foods	-14	1,350
Pioneer Electronic	+25	3,790	Shinagawa Refract.	-14	1,080
Ishikawajima-Harima	+23	1,140	Mitsui Osk Lines	-13	485

REAL ESTATE

# London Flats Resume Rise

**T**AX REFORM, higher mortgage rates and a gyrating stock market would usually be considered a lethal combination for real estate in a major financial center. Yet, housing prices in and around London seem to have shrugged off this triple threat. George Pope, chairman of the John D. Wood real estate agency in London, says that although the market "hiccuped" after the October 1987 stock market crash, it has since "picked up from where it left off."

Overall housing prices were flat in the first quarter of 1988, but bounded ahead 10 percent in the second quarter, according to data collected by the Nationwide Anglia Building Society. Buyers in the early part of the year were able to lock in favorable mortgages before interest rates started a four-percentage-point climb in May to the current level of about 11 1/2 percent.

Though rates rose in the spring, mortgage money has remained plentiful, says Robert Ringrose, property analyst at Phillips & Drew. He cites an influx of Japanese funds into the wholesale mortgage market, which has in turn made funds available in the retail market.

The pace of early summer sales also

quickened in anticipation of tax changes that went into effect Aug. 1. Until that date, each unmarried partner contributing to a mortgage was able to deduct interest paid on up to £30,000 (about \$51,000) toward a housing purchase. The amended law provides one deduction per property, as has been the allowance for married couples.

The old rules created a "tax advantage for living in sin," jokes Barry Bissett of Nationwide Anglia. Mr. Bissett attributes the substantial second quarter housing gains to "people rushing to get in before this restriction."

While housing price increases in the third and fourth quarter may not be as dramatic, Mr. Pope says the amounts involved in the tax changes are too small to affect central London's pricey market.

The only negative is a drop in the number of American buyers, who are discouraged by the still high level of the pound. But buyers from the Middle East, Hong Kong and the rest of Europe are still present, say real estate specialists.

The strength of the London market has rippled outward and pushed up prices in a commuting range that stretches into East Anglia and the Midlands.

Elena F. Sigman



Chelsea Harbour development on the Thames offers a marina.

# Manhattan's 2-Tier Market

**I**S THE WORST over? Nearly 10 months after Wall Street's collapse, that question haunts the New York City real estate market.

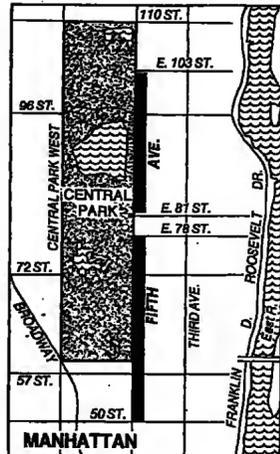
So far, the main effect of the crash and subsequent layoffs in the securities industry has been to drive buyers into the best properties in Manhattan and away from smaller, lower-priced apartments. David Bates of Sotheby's International Realty says the "higher-priced apartments are moving. The lower ones are not."

This trend translated into gains for the most established, upscale neighborhoods in Manhattan. According to the Corcoran Group's survey of prices, apartments on Fifth Avenue averaged a 7-percent appreciation in the first six months of this year, with Park Avenue apartments advancing 5 percent.

Hard hit were studios and one-bedroom apartments in all areas of Manhattan. In a striking contrast, some one-bedroom apartments on Park Avenue were off about 4 percent in the first half, the Corcoran data show.

Mr. Bates expects a recovery in the fall, with buying on the lower end of the market quickening. Less sanguine is Lloyd Lynford of Reis Reports, a real estate research firm. He reports that the full impact of big layoffs in the securities industry has yet to be felt because generous severance packages allowed the newly unemployed to keep their apartments, and he warns that a lethargic stock market may lead to more layoffs.

Few real estate specialists expect the kind of wrenching decline seen in 1982, when prices fell 10.5 percent as interest rates



Large apartments along Fifth Avenue have shown substantial appreciation.

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The softness in the market has created some values for buyers, but Mr. Shorter expects the softness to be comparatively short-lived. By 1990, he says, "the supply of units will decline precipitously," driving up prices.

E.F.S.

# Bourse Lags Pieds-à-Terre

**U**NTIL a privatization program began in 1986, luring some 4 million people into the stock market for the first time, most French investors kept to traditional low-risk investments like real estate.

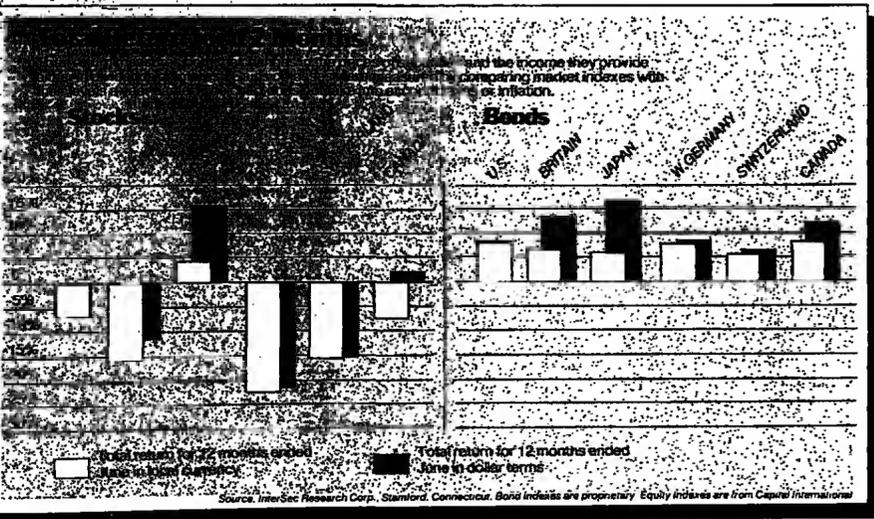
From an investor's standpoint, figures compiled by the Chambre des Notaires, indicate that the old ways may, indeed, be the best. Investors who put their savings into a pied-à-terre in Paris two years ago most likely are doing far better than stock market players, especially in view of last October's crash.

In the past two years, the average price per square meter of a Paris apartment has soared almost 33 percent, according to the Chambre des Notaires, which compiles statistics annually. Even after adjusting for local inflation, an investment in an apartment at the end of 1985 would have grown an average 25.5 percent by the end of 1987, the organization figures.

In the same period, the CAC Paris stock index had gained less than 4 percent.

Much of the zip in the Paris real estate market—following five years of stagnation—can be attributed to a lifting of a rent control law in 1986. That law, enacted in 1982, was seen to favor tenants, causing many owners to leave their apartments unoccupied and putting more pressure on an already tight rental market. It was replaced with legislation allowing rent increases in line with rents charged by neighboring landlords. While some rents reportedly doubled, the average increase on a three-year lease was said to be around 25 percent.

Jacques Neher



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FROM WRITING ORIGINALS

MONDAY, AUGUST 8, 1988

ECONOMIC SCENE U.S. Trade Bill Increases Import of Mercantilism

By CLYDE H. FARNSWORTH
WASHINGTON — In the 16th, 17th and 18th centuries, the major powers placed a high premium on exports as a source of national wealth and power.

From exports came the bullion needed to maintain armies and pay the growing costs of civil government. In the second half of the 20th century, West Germany, Japan and the newly industrialized countries of Asia have similarly made exports a high priority.

One complaint is that under the new bill, Washington unilaterally decides what is fair.

Until the last few years, the United States stood aside from the new mercantilism. Trade policy fell victim to benign neglect, while economic policy encouraged imports and consumption.

But huge American trade deficits — \$150 billion or more annually for six years — and now tough trade legislation, aimed at boosting exports by pressuring other countries to lower their import barriers, have finally brought the United States fully into the mercantilist world.

The next few years, many analysts agree, will be dominated by a new administration's efforts to reduce the U.S. foreign debt.

On the other hand, the strong reaction against the bill, principally from Tokyo and the Brussels headquarters of the European Community, suggests that the countries with large trade surpluses will not readily bow to the United States and adopt policies that will reduce their trade surpluses.

Richard N. Gardner, professor of law and international organizations at Columbia University in New York, said the United States should try to get the Organization for Economic Cooperation and Development, the General Agreement on Tariffs and Trade and other institutions to try to bring about peaceful adjustment in the world balance of payments.

One of the principal complaints is that under the new legislation, Washington unilaterally decides what is fair and what is not. The European Community now regularly publishes a compendium of what it calls unfair American trade practices.

The omnibus Trade and Competitiveness Act of 1988 increases the likelihood that Washington will step up retaliation against what it considers unfair trade practices, especially in the countries with the largest surpluses, such as Japan, West Germany, Taiwan and South Korea.

It instructs the administration to identify unfair practices and try to negotiate them away. If talks fail, the United States could restrict an offending nation's access to American markets.

What that means, said William T. Archey, international vice president of the United States Chamber of Commerce, is "more thorough attention to the overall foreign climatic of restriction."

One possible target, cited by those who drafted the bill, is Japan's complex distribution system, which effectively excludes most American products from Japanese stores.

No matter who wins the presidency in November, trade will be elevated as an issue. Some predict a restructuring of the trade bureaucracy — perhaps by creating a secretary of trade — to reinforce the new status and help guide the United States around mercantilist shoals.

Incentive Aids Loan To Brazil

Commitment Fee Attracts Bankers

NEW YORK — The 115 international banks that have lent the most money to Brazil were expected to be quick to commit to the country's new \$5.2 billion money package in order to secure a special incentive fee, bankers said.

Institutions subscribing to the loan by Friday night were to receive an incentive worth 0.375 percent of the amount they commit.

The lenders are backed up, William Rhodes, a Citicorp executive who is chairman of a 14-bank committee negotiating the Brazilian debt situation, said Friday.

Mr. Rhodes said it would be difficult to get a comprehensive assessment of the commitments until this week.

Other bankers also said they thought the banks that took part in a \$3 billion interim financing deal with Brazil last November would come forward promptly.

Under the terms of the proposal struck between Brazil and its bank creditors in June, banks must commit amounts equal to 11.4 percent of their medium-term Brazilian debt as of March 31, 1987, minus sums they have since lent Brazil in new loans or deleted through so-called exit bonds.

That structure favors banks that have been busy reducing their Brazilian portfolios through secondary market sales and debt-equity swaps. But Japanese banks, for example, have been fairly inactive in the secondary market because of tax and political constraints.

Meanwhile, response to the package's exit-bond facility was also going well, Mr. Rhodes said, adding about one-third of the banks have chosen that option.

The 6 percent, 25-year exit bonds will be issued for a total of up to \$5 billion and will initially be available for a maximum of \$15 million per institution.

Brazil is the Third World's largest debtor, with more than \$120 billion of foreign debt, of which more than \$70 billion is owed to banks.



Yang Jixing, left, the founder and chairman of Wenzhou-Lucheng City Credit Cooperative, and Cao Wenyuan, the bank's economist.

The Bold Boss of a Forbidden Bank

China Institution Caters to Business, Challenges State

By Edward A. Gargan

WENZHOULU, China — In early 1976, when the campaign to "beat back the deviationist wind from the right" was in full force, Yang Jixing figured it was a good time to go into private business.

That structure favors banks that have been busy reducing their Brazilian portfolios through secondary market sales and debt-equity swaps. But Japanese banks, for example, have been fairly inactive in the secondary market because of tax and political constraints.

Today, he is the founder and chairman of the first privately owned bank in China, the Wenzhou-Lucheng City Credit Cooperative, and once again he is skating along the edges of the politically and legally permissible.

The state banks wouldn't give loans, Mr. Yang said, "so we opened our own bank. This has broken the monopoly of the state banks. They're no longer alone under heaven."

Banking in China, as it has been in all Communist countries, is run by the state, an integral element in the broader balance sheet of overall economic planning. But in China, where the exclusivity of state-controlled enterprises in economic life is being steadily eroded, the grip of state banks is for the first time being challenged.

Wenzhou, a city of 540,000, with another six million people in surrounding rural areas and the neighboring town of Lucheng, has been relatively cut off from China's ideological and economic arteries, an isolation due to the absence of rail and air links and to primitive roads.

That independence, Mr. Yang said, helped nurture his bank, as well as 26 other private banks in the Wenzhou area. Indeed, the success of the Wenzhou banking experience has infected the rest of Zhejiang Province, which boasts, at last count, a total of 53 similar institutions.

"I've been running little factories on and off since 1967," Mr. Yang said. "In recent years, the state banks wouldn't open accounts for private enterprises. So we decided there was a need for a bank to meet those needs."

Even though private businesses now form the vast majority of enterprises in Wenzhou, state-owned banks have been reluctant to permit them to open accounts and have generally refused to make loans to private entrepreneurs, Mr. Yang said.

This has spurred the growth of private banks, so much so that even some state-run enterprises approach the private banks for loans, which is illegal, Cao Wenyuan, the bank's economist, said that.

See BANK, Page 13

OPEC Head Says Other Countries May Cut Output

LAGOS — Rihwanu Lukman, president of the Organization of Petroleum Exporting Countries, says non-OPEC oil producers remain willing to reduce output to stabilize oil prices.

"There is strong indication from non-OPEC to reach an agreement with OPEC over production," Mr. Lukman, the Nigerian oil minister, said Friday night when he returned from price talks this week in Lausanne, Switzerland.

In April, representatives of the cartel met non-OPEC producers in Vienna but did not agree to a proposal from the nonmembers for a joint production cutback.

Mr. Lukman said contacts with non-OPEC producers had been maintained and he was hopeful there would be an agreement on output restraint.

In New York, analysts said OPEC probably would try to stabilize sinking oil prices by holding a series of committee meetings and one-on-one sessions with oil producers on a seasonal rise occurs in fourth-quarter oil demand.

"OPEC may be approaching a crisis situation, and in a crisis mode OPEC will have to talk positively," said one U.S. oil industry source who spoke on the condition that she not be identified.

"Whether a crisis really develops depends on where OPEC's total August output is and if there is a cease-fire soon between Iran and Iraq," she added.

Mr. Lukman said a cease-fire in the eight-year war between Iran and Iraq, both OPEC members, would help stabilize oil prices.

OPEC said Friday that Subroto, the group's secretary-general, would meet officials of Mexico and Colombia during a Latin American tour this week.

Mr. Lukman said there was no way of confirming non-OPEC output but this could be worked out.

He said crude prices, now about \$4 below OPEC's target of \$18 dollars a barrel because of surpluses, would stabilize near the desired level within six months.

Prices fell further last week after the Lausanne meeting of OPEC's five-member price monitoring committee failed to announce measures to shore up prices.

The committee, comprising Nigeria, Saudi Arabia, Indonesia, Algeria and Venezuela, is empowered to summon emergency talks of OPEC's 13 members when prices deviate too far from their set target.

Despite a rise of 28 cents a barrel on Friday, West Texas intermediate oil for September delivery fell more than a dollar last week on the New York Mercantile Exchange. It closed Friday at \$15.31 a barrel, weakened by rising world oil supplies and dissatisfaction with the OPEC price committee meeting. Oil prices in the United States have declined by nearly \$3 a barrel since the beginning of the year.

Victor Yu, an analyst with Car-gill Investor Services, said U.S. oil prices could fall to a low of \$14.70 a barrel this week, although bullish news from OPEC could push them to test the \$16 level.

Global Debt Up 5 Percent in 2d Half of '87

BASEL, Switzerland — Gross foreign debt of 159 countries, including the major Third World debtors, rose by 5 percent in the second half of 1987, a study shows.

The Organization for Economic Cooperation and Development and the Bank for International Settlements said the countries' indebtedness climbed to \$976.4 billion from \$927.9 billion at the end of the first half.

The figures, covering most of the countries' external borrowing, showed that Brazil remained the largest debtor, with measured debts of \$88 billion, down from \$88.9 billion in the first half. None of the figures was adjusted for exchange-rate fluctuations.

After Brazil came Mexico, with \$80.8 billion; Australia, \$43 billion; the Soviet Union, \$40.2 billion; and Argentina, \$38.7 billion.

U.S. Output Data Show Gains by Small States

By Robert D. Hershey Jr.

WASHINGTON — The U.S. economy is dominated by a small group of "superstates" that to an increasing degree consists of those on the Atlantic, Pacific and Gulf coasts.

At the same time, however, the biggest states are less dominant in the aggregate than they were a quarter century ago, even as California's output has soared to an extent that puts the most populous state virtually in a league by itself.

These are some conclusions from an analysis of new Commerce Department figures that for the first time break down U.S. economic output into the amounts that each state contributes.

The data on "gross state product," the total value of goods and services produced in a state, are the most comprehensive yet published. They are expected to lead to significant improvements in interpreting and forecasting state and regional economic trends.

In publishing the figures, the Commerce Department did little to interpret them except to note that they show that the relative decline of the Great Lakes region in the late 1970s and early 1980s had been "substantially underestimated" by the government as well as various private analysts.

While there have been attempts by individual states to compute their own gross state products over the years, this is first time — except for an experimental U.S. government effort several years ago — that this information has been put on a comparable basis.

"This is a great event for us," declared Ray Grimes, the director of state and local government consulting in the Washington office of Data Resources Inc., a research firm. "Now we can compare productivity for places by industry."

By combining the new information with information previously available, one can now find out, for example, how the productivity of steel companies in Indiana stacks up against that in Alabama.

In addition, the gross state product data take into account where production actually occurred, regardless of the location of a company's headquarters. The same applies to parts made in one state and shipped to another to be assembled.

In previous attempts at comparative measurements, which relied mainly on income and employment figures, such distinctions were not possible.

The new figures underscore the degree to which the U.S. economy depends on the very biggest of the states and the extent to which this handful of states, widely dispersed geographically, contains a large proportion of nearly every major industry, except for metals.

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Last Week's Markets

All figures are as of close of trading Friday

Table with columns for Stock Indices, Money Rates, and other market data. Includes entries for DJ Index, S & P 100, FTSE 100, etc.

Food Stockpiles Expected To Hit Low for Century

UNITED NATIONS, New York — The world's stockpile of grain will drop so sharply that there is likely to be less food available at the end of this year than at almost any other time this century, a private institute has predicted.

"The only time this century the world has faced such a tight food situation was in 1972," said Lester R. Brown, president of Worldwatch, in the latest issue of the institute's magazine. Worldwatch is a private body partly funded by the United Nations.

Grain stocks at the end of this year could fall to 54 days of world consumption, below the 57-day level in 1973 that more than doubled grain prices.

The fall is the steepest ever recorded and follows serious droughts in the United States, Canada and China.

Mr. Brown said drought would reduce the 1988 North American grain harvest by about a quarter, or 84 million tons, from last year. "In China, which ranks a close second to the United States as a food producer, severe drought conditions could easily reduce the harvest by one-eighth, or 30 million tons."

Advertisement for Business Week International featuring a large graphic of a globe and the text 'The Global Finance Issue'.

# NASDAQ National Market

OTC Consolidated trading for week ended Friday.

Sales in 100s High Low Last Close					Net Change				
Simon	1.16	1.16	1.16	1.16	0.00	0.00	0.00	0.00	0.00
US Trv	1.16	1.16	1.16	1.16	0.00	0.00	0.00	0.00	0.00
US Trv	1.16	1.16	1.16	1.16	0.00	0.00	0.00	0.00	0.00
US Trv	1.16	1.16	1.16	1.16	0.00	0.00	0.00	0.00	0.00
US Trv	1.16	1.16	1.16	1.16	0.00	0.00	0.00	0.00	0.00

Sales in 100s High Low Last Close					Net Change				
US Trv	1.16	1.16	1.16	1.16	0.00	0.00	0.00	0.00	0.00
US Trv	1.16	1.16	1.16	1.16	0.00	0.00	0.00	0.00	0.00
US Trv	1.16	1.16	1.16	1.16	0.00	0.00	0.00	0.00	0.00
US Trv	1.16	1.16	1.16	1.16	0.00	0.00	0.00	0.00	0.00
US Trv	1.16	1.16	1.16	1.16	0.00	0.00	0.00	0.00	0.00

## WORLD STOCKS IN REVIEW / Via Agence France-Press

### Amsterdam

The Amsterdam market was firm last week despite the vacation season. The ANP-CBS general index gained just over 2 percent to close on a new yearly high of 283.8, up 6 points from the previous week's close.

Turnover in equities was slightly higher, with the total reaching 6.392 billion guilders, against 5.305 billion guilders the previous week.

Oceanwaf der Grinten, a producer of copying machines, in particular was sharply up on the basis of takeover rumors.

For the coming week, Kempen & Co. expects a strong market, especially among internationalists, releasing half-year results.

### Frankfurt

The West German stock exchange remained stable with the Commerzbank index closing 21.4 points higher than the previous week at 1,499.3.

Dealers said volume was low because of vacations, but added that first-half profit figures announced by Deutsche Bank and the chemical group Hoechst contributed to an overall upward trend.

Volume on West Germany's eight stock exchanges reached 14.59 billion Deutsche marks, compared to 12 billion marks the previous week.

The injection of funds by West Germany's central bank, the Bundesbank, into money markets also aided stock markets, traders said.

Demand for shares in chemical concerns was high with Hoechst rising 12 DM to finish at 283.50. BASF gained 5 to finish the week at 264, and Bayer was up 8 DM, ending the week at 300.

### Hong Kong

The Hong Kong Stock Exchange shed eased after an initial rise Monday, as expected rise in local interest rates failed to materialize.

The Hang Seng Index dropped 8.75 points to close at 2,671.17. It had risen Monday by 24.50 points to pass the psychological 2,700-point mark. The downward trend started with profit-taking Tuesday and the market nosedived for the rest of the week.

The broader based Hong Kong Index reacted similarly, shooting up Monday by 16.48 points, but then dropping 5.04 points during the week to end at 1,767.39.

Average daily turnover fell to 691.2 million Hong Kong dollars from the previous week's 696 million dollars.

Daily trading volume rose to 900 million Hong Kong dollars on Monday, before plunging to 658 million dollars on Tuesday. It saw a recovery for the rest of the week.

### London

London Stock Exchange indices rose gradually last week in quiet trading.

The Financial Times 100 share index rose to 1,875.9 from 1,853.6 the previous Friday and the FT-30 share index in a similar mood, closing Friday at 1,512.8, against 1,488.7 the previous week.

The week started on a bright note in the London securities markets as nervousness over a rise in British base rates continued to recede in the face of a stronger pound.

Amersham a research and chemical concern, surged after the government's decision the previous week to give up its protective shield of the company in the form of a "golden share". Pleasurama soared after a £621 million bid from Mecca Leisure Group.

Oil had a slight fall after a disappointing outcome of the OPEC price committee meeting in Lausanne, before surging Friday on rumors of a possible emergency OPEC meeting before the scheduled November meeting.

### Paris

Increasing preoccupation over France's political, economic and social future caused one of the most lifeless trading weeks of the year, even though the CAC index closed Friday up at 359 against 354.3 the previous week.

Dealers are especially concerned that Finance Minister Pierre Bérégovoy may have ended his policy of keeping interest rates down, which is going against the international tide of stronger rates. They added, however, that because of the quiet trading it was impossible to say whether there was a definite upward or downward trend.

Good half-year results from many companies failed to spur traders, with only a few special cases interesting traders.

More than 1.1 Credit Commercial de France shares—2.6 percent of its capital—changed hands over the week in expectation that the Prime Minister Michel Rocard may alter its core shareholding set by the previous administration when the bank was privatized. It finished the week at 138 French francs, 29 francs up on the issue price when the bank was sold off in April 1987.

### Milan

The Milan bourse was down last week both in terms of share prices and volume.

After two sessions of rises, a downward trend set in and the Comit index closed Friday at 532.01, compared with 532.65 the previous week. Dealers expect the trend to continue this week because of the vacation season.

Daily volume dropped from 200 billion lire at the start of the week to 150 billion lire in later sessions. The weekly average at 180 billion lire, however, was up from the previous week's average of 145 billion lire.

Ferruzzi shares were sought after the announcement of its link-up in chemicals with the state-owned ENI and Montedison. Montedison gained 5.3 percent over the week and Ferruzzi Agricola 3.8 percent.

### Singapore

The Singapore stock market had an active week with share prices moving higher across the board.

The Straits Times Industrial Index surged to a high for the year of 1,172.05 points, recording a gain of 28.64 points for the five trading days.

Single-day turnover set a record Thursday when volume totaled 80.5 million units. Daily turnover averaged 75.01 million units. Total turnover for the week stood at 375.7 million units worth 577.7 million dollars.

The property sector stole the limelight with widespread gains. The good showing was boosted by a government announcement of plans to raise the 80 percent limit on the use of Central Provident Fund savings for the purchase of private property to 100 percent.

### Tokyo

Share prices advanced moderately in erratic trading on the Tokyo Stock Exchange.

The Nikkei Stock Average closed Saturday at 2,352.18, up for a moderate 163.04 yen weekly gain. The TSE composite index, of all common stocks chalked up 6.76 points to end the week at 2,330.70.

Turnover for the week fell to 765.7 million shares a day on average from 900 million shares the week before. The value of stocks traded rose slightly to 1.03 trillion yen a day on average from 1.02 trillion yen.

That indicated that buying centered on high-priced stocks.

Haruo Nakahara, vice president of Prudential-Bache Securities, said investors were increasing their holdings, but because liquidity levels continued to grow, cash positions remained high. He expected this to spur further equity investment in a wide variety of sectors.

The market opened on an upbeat note Monday with the Nikkei adding 126.37 yen and kept rising Tuesday, hitting a record 28,366.33 yen at the end of the day.

Investors began to worry about overly high prices Wednesday and the Nikkei average lost 17.88 yen, its first loss in eight sessions.

### Zurich

The firm dollar and a bout of takeovers gave the Zurich bourse a firm boost last week.

The Credit Suisse index rose to 480.5 from the previous Friday and the Society of Swiss Banks index was also up to 539.6 from 524.9.

Takeover battles have centered on breweries and insurance shares.

Activity surrounding La Suisse has calmed indicating, dealers say, that neither Saurer nor Tel Swiss businessman Tito Tettamanzi—who have made bids of up to 14,000 Swiss francs per share—will be able to get a majority of the stock.

## U.S. Fines Reuters for Computer Exports

The Associated Press

WASHINGTON — Reuters Ltd., the British news agency, says it has taken steps to avoid future "procedural errors" such as those that resulted in a \$400,000 fine for improperly re-exporting micro-computer equipment that was made in the United States.

The Commerce Department on Friday announced that Reuters had agreed to the civil penalty. The department said that between April 1983 and December 1986, Reuters made 488 shipments of such equipment to various destinations around the world, including East Bloc countries.

Reuters said it was under the mistaken belief that the shipments were permitted under a distribution license held by its U.S. subsidiary.

The equipment is used to retrieve financial market information, according to the Commerce Department.

Reuters, in a statement, said it was the company's understanding that the department "would have granted licenses for virtually all of those equipment shipments had the correct procedure been followed. Reuters had put in place extensive controls to avoid any future such procedural errors."

The department said Reuters acknowledged that more than 100 of the shipments occurred while the company was subject to a 24-month probationary period resulting from a previous case involving similar violations.

The \$400,000 fine includes \$23,400 that represents a civil penalty for the earlier violations. The earlier fine had been suspended and would have been waived if Reuters had complied with regulations during the probationary period, the Commerce Department said in a statement.

Reuters voluntarily disclosed the violations to the Commerce Department and cooperated with the investigation, the department said.

The Commerce Department administers and enforces the Export Administration Act, which restricts exports and re-exports when necessary because of national security, foreign policy or domestic short supply.

Reuters owned that the company controls over each item of the relatively unsophisticated equipment in question, thus the risk of diversion and threat to U.S. national security is diminished.

## OUTPUT: Small U.S. States Gain

(Continued from first finance page)

through 1986, show that the eight most productive states in California, New York, Texas, Illinois, Pennsylvania, Florida, Ohio and New Jersey had total output two years ago of \$2.1 trillion. That was slightly more than all the goods and services produced by the 42 other states and the District of Columbia combined.

The biggest states, with nearly 48 percent of the nation's population, accounted for 50 percent of output.

These eight states also cut quite a figure when ranked against some of the world's most economically advanced countries. Together, they had an economy twice the size of Japan's—though the year's subsequent rise against the dollar has since brought almost parity—and more than triple the economy of West Germany.

Although five of the eight are Northern states, the three Sun Belt states made up far the greatest gains in output from 1963 to 1986. California, which in the early 1960s led New York, the runner-up in output, by less than \$1 billion, now

outproduces New York by 47.1 percent, \$33.4 billion to \$36.3 billion.

Texas and Florida posted the biggest advances. Texas vaulted to third place from seventh, while Florida, which this year supplanted Pennsylvania as fourth most populous, jumped to sixth place in gross state product, from 11th.

Michigan, meanwhile, fell to ninth place, from sixth, as foreign auto producers made huge inroads into the U.S. market. Massachusetts slipped to 10th place, from ninth, and Indiana to 14th, from 10th.

Virginia, in the upper South, jumped to 11th place, from 15th.

The figures show that some states produce proportionally more, in relation to their populations, than others. Illinois ranks fourth in gross state product, although it is only the sixth most populous state, and New Jersey and Massachusetts also have above average output per capita. Michigan, however, ranks eighth in population but ninth in gross state product, by less than \$1 billion, now

## Euromarts At a Glance

Country	High	Low	Last	Change
U.S. & West	1.00	0.99	0.99	-0.01
Germany	1.00	0.99	0.99	-0.01
France	1.00	0.99	0.99	-0.01
Italy	1.00	0.99	0.99	-0.01
Spain	1.00	0.99	0.99	-0.01
Japan	1.00	0.99	0.99	-0.01
UK	1.00	0.99	0.99	-0.01
Canada	1.00	0.99	0.99	-0.01
Australia	1.00	0.99	0.99	-0.01
India	1.00	0.99	0.99	-0.01
China	1.00	0.99	0.99	-0.01
South Africa	1.00	0.99	0.99	-0.01
Argentina	1.00	0.99	0.99	-0.01
Brazil	1.00	0.99	0.99	-0.01
Chile	1.00	0.99	0.99	-0.01
Colombia	1.00	0.99	0.99	-0.01
Costa Rica	1.00	0.99	0.99	-0.01
Cuba	1.00	0.99	0.99	-0.01
Czech Republic	1.00	0.99	0.99	-0.01
Denmark	1.00	0.99	0.99	-0.01
Egypt	1.00	0.99	0.99	-0.01
Finland	1.00	0.99	0.99	-0.01
France	1.00	0.99	0.99	-0.01
Germany	1.00	0.99	0.99	-0.01
Greece	1.00	0.99	0.99	-0.01
Hong Kong	1.00	0.99	0.99	-0.01
India	1.00	0.99	0.99	-0.01
Indonesia	1.00	0.99	0.99	-0.01
Italy	1.00	0.99	0.99	-0.01
Japan	1.00	0.99	0.99	-0.01
Korea	1.00	0.99	0.99	-0.01
Malaysia	1.00	0.99	0.99	-0.01
Mexico	1.00	0.99	0.99	-0.01
Netherlands	1.00	0.99	0.99	-0.01
New Zealand	1.00	0.99	0.99	-0.01
Norway	1.00	0.99	0.99	-0.01
Philippines	1.00	0.99	0.99	-0.01
Poland	1.00	0.99	0.99	-0.01
Portugal	1.00	0.99	0.99	-0.01
South Africa	1.00	0.99	0.99	-0.01
Spain	1.00	0.99	0.99	-0.01
Sweden	1.00	0.99	0.99	-0.01
Switzerland	1.00	0.99	0.99	-0.01
Taiwan	1.00	0.99	0.99	-0.01
Thailand	1.00	0.99	0.99	-0.01
Turkey	1.00	0.99	0.99	-0.01
USA	1.00	0.99	0.99	-0.01
UK	1.00	0.99	0.99	-0.01
USSR	1.00	0.99	0.99	-0.01
West Germany	1.00	0.99	0.99	-0.01
Yugoslavia	1.00	0.99	0.99	-0.01

## Treasury Bonds

Maturity	Bid	Ask	Yield	Change
1-15-89	99.75	99.75	8.44	0.38
1-15-90	99.75	99.75	8.58	0.53
1-15-91	99.75	99.75	8.72	0.67
1-15-92	99.75	99.75	8.86	0.81
1-15-93	99.75	99.75	9.00	0.95
1-15-94	99.75	99.75	9.14	1.09
1-15-95	99.75	99.75	9.28	1.23
1-15-96	99.75	99.75	9.42	1.37
1-15-97	99.75	99.75	9.56	1.51
1-15-98	99.75	99.75	9.70	1.65
1-15-99	99.75	99.75	9.84	1.79
1-15-00	99.75	99.75	9.98	1.93

## U.S. Consumer Rates

Category	Rate	Change
1-year T-bill	7.75%	0.00%
3-month T-bill	7.75%	0.00%
6-month T-bill	7.75%	0.00%
1-year CD	7.75%	0.00%
3-month CD	7.75%	0.00%
6-month CD	7.75%	0.00%
1-year RR	7.75%	0.00%
3-month RR	7.75%	0.00%
6-month RR	7.75%	0.00%
1-year S&I	7.75%	0.00%
3-month S&I	7.75%	0.00%
6-month S&I	7.75%	0.00%
1-year IRR	7.75%	0.00%
3-month IRR	7.75%	0.00%
6-month IRR	7.75%	0.00%
1-year MSA	7.75%	0.00%
3-month MSA	7.75%	0.00%
6-month MSA	7.75%	0.00%
1-year MIA	7.75%	0.00%
3-month MIA	7.75%	0.00%
6-month MIA	7.75%	0.00%
1-year MRA	7.75%	0.00%
3-month MRA	7.75%	0.00%
6-month MRA	7.75%	0.00%
1-year MSA	7.75%	0.00%
3-month MSA	7.75%	0.00%
6-month MSA	7.75%	0.00%
1-year MIA	7.75%	0.00%
3-month MIA	7.75%	0.00%
6-month MIA	7.75%	0.00%
1-year MRA	7.75%	0.00%
3-month MRA	7.75%	0.00%
6-month MRA	7.75%	0.00%

## Wall Street Review

NYSE Most Actives	AMEX Most Actives
Vol. 1199	Vol. 2658
High 1199	High 2658
Low 1199	Low 2658
Last 1199	Last 2658
Change 1199	Change 2658

## NYSE Sales

Category	Sales
Total for week	779,400,000
Year ago	817,000,000
1984 to date	21,242,000,000

## NYSE Dividends

Category	Dividends
Advanced	222
Declined	515
Unchanged	2142
Total Issues	2879
New Issues	4

## AMEX Sales

Category	Sales
Total for week	44,980,000
Year ago	45,200,000
1984 to date	1,520,000,000

## AMEX Dividends

Category	Dividends
Advanced	397
Declined	1622
Unchanged	1640
Total Issues	3659
New Issues	30

## Chicago Exchange Options

Option & price	Colls	Puts	Option & price	Colls	Puts
ALCOA	22 1/2	22 1/2	ALCOA	22 1/2	22 1/2
AMER	22 1/2	22 1/2	AMER	22 1/2	22 1/2
AMER	22 1/2	22 1/2	AMER	22 1/2	22 1/2
AMER	22 1/2	22 1/2	AMER	22 1/2	22 1/2
AMER	22 1/2	22 1/2	AMER	22 1/2	22 1/2

## Court Bars State Move To Foil BAT

LOS ANGELES — A Los Angeles Superior Court judge has ordered a "bar" on California insurance commissioner's ruling on the state law forbidding the purchase of British American Tobacco (BAT) shares by British American Tobacco PLC.

The subsidiary, Batus Inc., Louisville, Kentucky, has offered \$2.5 billion for the Los Angeles-based insurance holding company. However, under state law, the acquisition requires approval of the state insurance commissioner and the eight other members of the board.

Ronald M. Gillespie, the California insurance commissioner, has refused to conduct insurance because more than 10 percent of its parent's stock is owned outside the state — most of it by British American Tobacco PLC.

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Also on Friday, the Batus...  
The following Ohio insurance...  
approved by Arizona, Batus...  
and Oregon, but it plans approval...  
and Illinois are pending...  
hearings next month.  
Farmers said it would appeal...  
California ruling and the Ohio...

New International Bond Issues

Compiled by Bassam Aoun

Table with columns: Issuer, Amount (millions), Mat., Coup. %, Price, Price end week, Terms. Includes sections for Floating Rate Notes, Fixed-Coupon, and Equity-Linked.

Leveraged-Buyout Funds: As Cash Mounts, So Does Concern

By Anise C. Wallace

New York — At a time when many individual investors have fled the stock market in fear, one group of investors is furiously raising cash to buy up stocks.

Leveraged-buyout investors continue to seek companies that they can buy and later resell for hefty profits.

Despite worries about the future health of the economy and tremors from the recent bankruptcy of Revco D.S. Inc. — one of the largest companies taken private using a leveraged buyout — an increasingly large group of investors seems almost obsessed with the idea that in this sixth year of a U.S. economic expansion, stripping companies of their equity and leaving them with mountains of debt makes compelling investment sense.

"It's as if Oct. 19 never happened," said James C. Tappan, president of Tappan Capital Partners, a former executive with General Foods Corp.

Investment bankers, corporate executives and Wall Street firms have all jumped into the lucrative game staked out by such well-known firms as Kohlberg Kravis Roberts & Co. and Forstmann Little & Co.

In a leveraged buyout, investors borrow sums of money to buy companies, hoping to pay off the debt with the company's earnings and to profit richly by the later resale of that company or its divisions.

Almost 40 partnerships are currently trying to raise \$8 billion to invest in leveraged buyouts, according to Wilshire Associates, a Santa Monica, California, consulting firm that evaluates investments for pension funds.

Last year, 42 firms raised \$20 billion, much of which has not yet been invested. Kohlberg Kravis Roberts alone has capital commitments from its limited partners worth an estimated \$5 billion.

Experts estimate that at least \$25 billion is now targeted for making leveraged-buyout investments.

And because of the 10-to-1 leverage typically used in these deals — that is, investors put up only \$100 of their own money for

every \$1,000 of purchase price, and borrow the rest — these investment funds have the muscle to make acquisitions totaling \$250 billion.

Commercial banks are also allocating billions of dollars to finance leveraged buyouts. In the past 12 months, banks have made 256 loans for leveraged buyouts, totaling \$54 billion.

The dollar volume of such bank loans in July jumped to 40 percent of all commercial loans, up from 14 percent one year earlier, said Christopher L. Snyder Jr., president of Loan Pricing Corp., which monitors bank lending.

Behind the frenetic race to raise funds, analysts say, is the desire to tap into this gold

mine in the final days of the Reagan administration, which has not tried to stop the huge transactions of the 1980s.

"There's an element of let's get this done today, because we may not get to tomorrow," Mr. Tappan said.

Another executive characterized the activity as the "financial version of all-you-can-eat night."

"Sometimes you have to wonder if there are as many deals out there as there are people chasing deals," said Robert Zobel, investment director of private placements at the Wisconsin Investment Board, which has \$350 million invested in 13 leveraged-buyout funds.

Douglas K. Le Bon, a vice president at Wilshire, said, "It's a feeding frenzy," said "I'm seeing a lot of deals I don't like."

In fact, despite the record sums of cash in search of these multibillion-dollar buyouts, the level of completed transactions has re-

mained relatively flat since 1986, a rate of about \$40 billion a year. One important reason: The leveraged-buyout funds are being outbid by large industrial companies and international buyers.

Barry Friedberg, managing director of Merrill Lynch Capital Markets, which just raised \$1.5 billion for an leveraged-buyout fund, said the emphasis may have to shift to smaller companies with diverse holdings that industrial buyers do not want, or to private companies that do not want to become part of an industrial giant.

His fund recently bought two small private companies for \$200 million each. Some predict that the pressure to spend the funds also could result in more hostile

Analysts say that investors are seeking high returns in the final days of the lenient Reagan administration. One executive characterized the frenetic race to raise funds for leveraged buyouts as the 'financial version of all-you-can-eat night.'

takeovers, or investments that depart from the leveraged-buyout formula, such as KKR's purchase of 4.9 percent of Texaco's shares during the oil company's proxy battle with Carl C. Icahn last spring.

The ever-expanding pool of capital is driving up prices for target companies, which will bring returns down from the stratospheric level of 50 percent to 100 percent average annual return of recent years.

The average premium being paid for publicly traded companies this year has increased to 36.7 percent over the market price one month before the announcement of the leveraged buyout, up from 29.2 percent in 1985, according to IDD Information Services in New York.

"When you get a lot of capital chasing a finite number of deals, you chase the prices up," said Robert S. Morris, senior vice president of General Electric Investment Corp. For nearly everyone, the lure is the same:

the huge sums of money being made in this arena. Advisory fees on leveraged-buyout deals, for example, have totaled \$158 million so far this year, according to IDD. They amounted to \$301 million last year and \$317 million in 1986.

On top of management and transaction fees, leveraged-buyout firms also earn "the carry," typically 20 percent of the profit made when a company is resold.

An additional lure for Wall Street firms trying to get into the act is the potential to earn lucrative investment banking fees once these newly bought companies sell assets or go public again.

Firms such as Merrill Lynch, Morgan Stanley & Co., Shearson Lehman Hutton Inc., PaineWebber Inc. and Prudential-Bache Securities Corp. have all committed their own capital and have raised or are in the process of raising billion dollar funds to invest in leveraged buyouts.

The commercial banks also have jumped in. Lured by loans that can earn almost 3 percentage points more than other commercial loans, lenders such as Wells Fargo, Banker's Trust and Manufacturer's Hanover have committed billions of dollars in short-term bridge loans for these deals.

While critics of leveraged buyouts have predicted problems for years, the concern now is that the competitive pressure may cause inexperienced players to invest their newly raised funds unwisely, if only to demonstrate to their clients that they can do deals.

Already, there are complaints from established investors that the influx of capital has pushed up prices, making it harder to invest clients' funds and generate returns greater than 20 percent to 25 percent a year, which most of them have promised.

"The world has gone crazy," said John G. Quigley, general partner at Adler & Shuykin in New York. "We're seeing very, very high prices in large, medium and small companies."

"The days of paying four to five times cash flow are behind us," said John S. Harrison, managing director and head of First Boston's leveraged-buyout group.

Treasury Bond Prices Edge Higher

Compiled by Our Staff From Dispatches

NEW YORK — Prices of U.S. Treasury securities were unchanged to slightly higher last week despite negative reaction Friday to employment data that renewed concerns over inflation and the likelihood of higher interest rates.

The price of the 30-year Treasury bond, that matures in 2018 rose nearly one point, or \$10, for every \$1,000 of face value, to 99 30/32 Friday from 99 1/32 the week before. The bellwether's yield, which moves inversely to its price, declined to 9.13 percent from 9.22 percent last Friday.

But long-term issues did better than bonds of shorter maturities. Dealers attributed the strength in the long-term sector to the fact that the Treasury does not plan to auction a 30-year bond at its quarterly refunding auction this week, the first time in six years that the bellwether securities will not be issued. The long bond also benefited from some bargain hunting, they said.

Instead of a long bond, the Treasury plans to auction \$11 billion of three-year notes Tuesday and an equal amount of 10-year notes Wednesday. On Friday, the three-year notes traded on a when-issued basis at a price to yield 8.60 percent, while the yield on 10-year notes was 9.09 percent.

Meanwhile, currently outstand-

ing 10-year notes were unchanged in yield on the week, ending at 9.11 percent. The price edged down to 99 8/32 from 99 9/32.

Short-term rates ended mixed. The federal funds rate, charged on

overnight loans between banks, closed the week at about 7.625 percent, down from 7.813 percent.

But many analysts predicted the Federal Reserve Board would begin to put upward pressure on interest rates to slow the growth of the economy in response to stronger-than-expected summer employment figures released Friday.

The Labor Department reported unemployment rose to 5.4 percent in July from 5.3 percent in June, but it also said there was a rise of 283,000 nonfarm payroll jobs, slightly more than expected. In addition, revised figures for June showed an increase in nonfarm payrolls of 532,000 instead of the 546,000 rise originally reported.

These figures, along with the 68,000 rise in manufacturing jobs in July and an 0.9 percentage point increase in the month's index of hourly earnings, reawakened concerns about the pace at which the U.S. economy is growing.

Too fast growth could spur inflation, and the market feared the Fed

would restrict the availability of credit to slow the economy, putting upward pressure on interest rates.

The employment numbers "are inflationary" and the bond market reacted negatively to them, said Thomas Zucosky, president of Aeg Capital Management Corp. Mr. Zucosky said, however, that he thought current fears over inflation were exaggerated.

He added that although long-term prices rose last week, "We think this market is sort of bearish, because when you have good news, such as oil plummeting, bonds are up but not by much. But when you have negative news, bonds want to go down and go down fast."

But Peter Nicaulescu, a vice president of bond market research at Salomon Brothers, said that despite the setback on Friday, "it was a positive week in prices."

About \$1.5 billion in new corporate issues came to market during the week, "a healthy rebound from the depressed levels of the preceding month," Mr. Nicaulescu said.

Bond dealers, meanwhile, expressed dismay over the Treasury decision not to sell 30-year bonds at its quarterly auction. They blamed Congress, which has delayed passing tax revision bills that include provisions freeing the Treasury to issue long-term debt.

(UPI, AP, NYT)

A Market Backlash for Mellon Bank

Stock Price Has Fallen 12% Amid Criticism of Spin-Off

By Sarah Bartlett

New York Times Service

NEW YORK — A backlash has developed in some parts of the investment community to Mellon Bank Corp.'s decision to spin off \$1 billion of its bad loans into a separate entity and to recapitalize the bank.

Since the transaction was announced, Mellon's stock has fallen about 12 percent, from \$32.875 on July 25 to \$28.875 at the close of trading in New York on Friday.

Some stock analysts think that it has still further to go, perhaps to as low as \$26. Analysts at Morgan Stanley & Co. and C.J. Lawrence, Morgan Grenfell Inc. have recommended that shareholders sell their Mellon stock.

Investor reaction is important because the Mellon transaction was viewed by some on Wall Street as a harbinger of things to come. If the stock market reacts negatively, that could make similar deals more expensive in the future and discourage other bank managements from adopting such methods to shed their problem loans.

The criticisms of the Mellon restructuring have centered on the terms of the deal and on management's earnings projections. Some analysts have complained that the management of the bank, in its bid to line up fresh capital, offered to sell new stock at excessively steep discounts to its current market price.

E.M. Warburg, Pincus & Co., for example, was issued \$175 million of new convertible preferred stock.

A Morgan Stanley analyst, Dennis F. Shea, has calculated that when Warburg fully converts its holdings, it will effectively have

acquired Mellon's stock at \$17.50 per share, or a 45 percent discount to the present market value of the stock.

"I think it was a horror," said Carole Berger, bank analyst at C.J. Lawrence. "I've never seen a deal priced so far below the market."

Thomas K. Brown, a bank analyst at Smith Barney, Harris

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Carole Berger, bank analyst at C.J. Lawrence.

Upham & Co., said in a recent research report, "The only winners in this transaction are some new investors in Mellon and the investment bankers that stand to make millions in fees."

Analysts are particularly concerned about the low prices Mellon has promised new shareholders, because that increases the total number of shares that Mellon will have to issue in order to attain the \$525 million in new equity that it needs to rebuild its capital base.

They estimate that from 23 million to 27 million new shares will need to be issued to complete Mellon's recapitalization program. That is almost double the 28.5 million shares currently outstanding.

"I think that's a sacrifice," said John Neff, a Philadelphia-based stock portfolio manager of the Vanguard Fund and other funds of the Vanguard Group. "If I were a Mellon shareholder I would think that's a devastating hurdle to overcome."

Unless Mellon can simultaneously double its earnings, investors will receive less in the way of earnings per share, Mr. Shea of Morgan estimates that earnings per share could be diluted by 25 percent within the next five years because of the transaction. Some analysts' estimates of dilution run even higher.

to a telephone interview, Mellon's chief executive, Frank V. Cahoon, reiterated his belief that current shareholders would not suffer any dilution. Mellon's management has forecast that in 1989 the bank will save from \$120 million to \$150 million by not having \$1 billion of nonperforming loans on the books.

While most analysts accepted that forecast, they said those benefits would decline over time, and that it was over the longer term that shareholders would suffer from earnings dilution.

Kenneth F. Puglisi, bank analyst at the New York securities firm of Keefe, Bruyette & Woods, has estimated that for Mellon to offset the dilution of 24 million new shares, it would have to earn an additional \$240 million in 1992. In the past five years, the most Mellon has earned was \$201 million.

Mr. Cahoon said that Mellon's earnings would increase substantially over time because of the freedom a healthy, well-capitalized bank has to pursue new business.

By way of example, he said that over the past six months Mellon had lost out on \$18.5 million of bank trust business because of customer concerns about the bank's weak capital position.

He said that a chief executive he had visited in Chicago last week told him he would not feel much better about his company doing business with Mellon.

Mr. Cahoon also dismissed criticism that he had given away new equity for too little. At the time he reached an agreement with Warburg, he said, the stock was trading in the \$25 to \$27 range, and he wanted to lock the deal up. Moreover, he added, "You should have seen the other offers on the table, they were a lot more expensive."

Goldman, Sachs & Co.'s bank analyst, Robert B. Albertson, said he thought the pricing of Mellon's deal was a function of its being the first of its kind.

The next one should come in with a little tougher pricing," he said.

Ms. Berger of C.J. Lawrence agreed. "I think the lesson should be, you can't give it away," she said.

Court Bars State Move To Foil BAT

Los Angeles Times Service

LOS ANGELES — A Los Angeles Superior Court judge has overturned as "absurd" the California insurance commissioner's ruling that state law forbids the purchase of Farmers Group Inc. by the U.S. subsidiary of Britain's BAT Industries PLC.

The subsidiary, Batus Inc. of Louisville, Kentucky, has offered \$4.35 billion for the Los Angeles-based insurance holding company. Batus, however, must win regulatory approval for the acquisition in California and the eight other states where Farmers subsidiaries have their headquarters.

Roxani M. Gillespie, the California insurance commissioner, found Batus unfit to conduct insurance business because more than 10 percent of its parent's stock is owned by government-related agencies based outside the state — mostly public employee pension funds.

Judge Kurt J. Lewin said the commissioner's strict reading of the law rendered its intent "absurd." The law, he said, refers only to ownership that grants the governmental agencies involved a "substantial influence over the insurer." Such is not the case with BAT Industries, he said.

Also on Friday, the Batus bid won the blessing of Ohio insurance regulators. That followed earlier approval by Arizona. Batus has been rejected in Washington, Idaho and Oregon, but it plans appeals in all three. Rulings are pending in Kansas and Illinois, and Texas is to begin hearings next month.

Farmers said it would appeal the California ruling and the Ohio approval.

BANK: A Forbidden Private Firm Challenges Beijing

(Continued from first finance page)

despite the bank's success, with deposits now exceeding 63 million yuan. China's laws do not envision or give legitimacy to such an enterprise.

"The problem is we don't have laws in China to deal with private people in banking and finance," he said. "The law says that only state banks can operate financial institutions. There is nothing in the law for private financial institutions. In fact it's forbidden."

"We're in the midst of economic reforms," Mr. Cao said, his face creased with a smile of evident concern. "We have no legal standing. There are really only two possibilities. The state could revoke our business license. Or Wenzhou City says we go one step beyond, break the barriers and stay in business."

"In China, we have operated before there were laws," he said. "In China there are sometimes laws but you don't have to follow them. You just go on working and later the laws are modified."

Both interest paid on deposits

Already, the tidy two-story building on Ximhe Street, a tree-lined lane that is transformed into an procession of open-air sidewalk restaurants at night, is too cramped for the bank. Next year, it will quadruple its floor space when new quarters are completed in the redevelopment area in central Wenzhou.

"We're open every day, seven days a week," Mr. Yang said. "We take one day off a year, and that's the second day of Spring Festival. We don't have any xiao," he said, referring to the cherished two-hour lunch and nap that has become institutionalized in state enterprises. "So we get more work done. We're open from 8 A.M. to 6 P.M. and in an emergency you can get a loan until 9 at night."

"We go to the people if necessary," he said. "If they call us, we'll bring the money to them. There's no way a state bank would do that. Our slogan is 'Fast, simple, comfortable.'"

Mr. Yang derisively dismissed the central banker's comments. "He doesn't know anything," he said.

and the rates charged on loans are significantly higher than that of state banks and both rates change daily according to movements in the city's financial market. Mr. Yang cracked the heads on his abacus. "Right now, we're paying 8.64 percent on deposits," he said. "That's 20 percent higher than a state bank."

His fingers flurried over his abacus again. "Today, the highest rate on loans is 19.8 percent. That's higher than the state bank, but small guys won't get credit from a state bank."

Official reaction to the flowering of private banks has been muted so far. Xie Qinglin, a local official of the People's Bank of China, the nation's central bank, said, "The credit cooperatives' own capital is small, their lending is done on a broad scale and their capacity to take risks is rather weak."

Mr. Yang derisively dismissed the central banker's comments. "He doesn't know anything," he said.

Springer Has Hungary Paper

The Associated Press

HAMBURG — Axel Springer Verlag AG, the big West German publishing house, plans to start printing a weekly tabloid in Hungary next month in a joint venture with Hungarian partners, the West German newspaper Der Spiegel reported.

Der Spiegel said 100,000 copies of the weekly, called Reform, would be printed for the first issue in Budapest in September.

The weekly is to cost the equivalent of one Deutsche mark (53 cents), the magazine said, quoting unidentified Hungarian sources.

Der Spiegel said one of Springer's partners is the Hungarian inventor Erno Rubik.

Springer plans to build a printing site in Budapest, and shares in the venture will be offered on the Hungarian stock market exchange in January 1989, Der Spiegel said.

Peter Tamm, chairman of Springer, plans to meet soon with the Prime Minister Karoly Grosz of Hungary to discuss the project, according to the magazine.

Springer publishes the mass-circulation Bild Zeitung and dozens of other newspapers and magazines. Bild is West Germany's best-selling newspaper, with a daily circulation of about 5 million.

Springer gave no other details in its report. The magazine reaches newsstands on Monday, but advanced copies were released on Saturday.

WORLD FUND S.A. Société Anonyme 2, boulevard Royal L-2953 Luxembourg R.C. Luxembourg B-21510 DIVIDEND ANNOUNCEMENT WORLD FUND S.A. will pay a dividend of U.S. \$0.05 per share on August 5, 1988 to shareholders registered as of close of business on July 29, 1988. Shares will be traded ex-dividend after July 29, 1988. The Board of Directors

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The International Herald Tribune logo and contact information.

# MONDAY SPORTS

## SIDELINES

### Senna Ties Prost for Grand Prix Lead

BUDAPEST (UPI) — Brazilian Ayrton Senna fought off a late challenge from teammate Alain Prost to win Sunday's Hungarian Grand Prix by less than half a second and join the Frenchman atop the Formula One driver standings.

The McLaren Honda tandem is unbeaten in 10 races this season; Senna and Prost have 66 points each. McLarens has wrapped up the constructor's championship with 132 points.

Senna completed the 76-lap race of 305.064 kilometers (189.557 miles) in 1 hour, 57 minutes and 47.081 seconds. Prost clocked 1:57:47.610. Thierry Boutsen mounted the only real challenge, his non-turbo Benetton finishing third in 1:58:18.491.

Pole-sitter Senna dominated from the outset. Prost moved up steadily from his seventh-place starting position, his lowest of the season. Prost briefly took the lead on the 48th lap, only to be repossessed a few seconds later.

### NFL Suspends 4 More for Drug Abuse

NEW YORK (AP) — The National Football League late Friday suspended four more players 30 days for drug abuse: They are running back Robb Riddick of Buffalo, defensive end Greg Townsend of the Los Angeles Raiders, defensive lineman Richard Reed of Denver and offensive lineman Pat Saitoud of Atlanta.

The suspensions bring to seven the number of players who have been ordered by the league to be placed on their teams' non-football-related injury lists for violating the league's drug and alcohol abuse rules.

Former all-pro defensive lineman Dexter Manley of Washington, running back Doug DuBose of San Francisco and offensive lineman Kevin Gogan of Dallas were shelved by the league earlier this summer.

The seven suspensions are by far the most ever during training season. Joe Brown, a league spokesman, noted that suspensions normally apply to second offenders, saying: "This is just the third year of the testing program, so it's the first time there has been an accumulation of previous tests." He did not specify the substance involved in any of the cases.

### Filly Personal Ensign Takes Whitney

SARATOGA SPRINGS, New York (AP) — Personal Ensign, under Randy Romero, registered a 1 1/4-length victory in the Whitney Handicap for 3-year-olds and up here Saturday.

The undefeated 4-year-old racked up her 10th consecutive victory and her fourth of 1988. In her first confrontation with male rivals, she carried 117 pounds (53 kilograms) in the three-horse field; Gulch, under 124 pounds and ridden by Jose Santos, led to the stretch but was unable to withstand the filly's strong finish. Gulch was 17 lengths ahead of King's Swan, 123 and ridden by Angel Cardo Jr.

Personal Ensign covered the 1 1/4 miles (2,010 meters) on a sloppy track in 1:47.4/5. Tri Jet holds the stakes and track record of 1:47, set in 1974.

### Mudd 1-Shot Leader in St. Jude Golf

MEMPHIS, Tennessee (AP) — Jodie Mudd, with three straight birdies on the back nine, overtook Tim Simpson for a one-stroke lead after Saturday's third round of the St. Jude Classic golf tournament.

Mudd, six times a runner-up but still seeking his first PGA tour victory, pulled even with Simpson at the 15th and then took the lead for good with a birdie on the par-5 16th.

With a 67, he was at 13-under-par 203 going into Sunday's final round. Simpson, who began the third round in a three-way tie for the lead with Mudd and Peter Jacobson, shot his third straight 68, David Rummells, 66-205, was alone in third place.

### Quotable

George Brett on the state of the Kansas City Royals: "I sat in the trainer's room for 15 to 20 minutes... There were three or four of us in there, and two words weren't said. I mean nothing. It's hard to have cohesiveness when no one's talking to each other." (AP)

Golfer Howard Twitty, 6-foot-5 and 210 pounds (1.95 meters, 95.2 kilograms), on why he never played football: "I always felt I'd like to keep all my blood inside my body." (LAT)

# Hayden Falls Twice, and Off U.S. Olympic Gymnastics Team

By Michael Janofsky  
New York Times Service

SALT LAKE CITY — When the U.S. men's Olympic gymnastics team was determined late Friday night, it was more stunning for one athlete who failed to qualify than for some of the six who succeeded.

For Dan Hayden, the national champion, bad luck never attacked so suddenly. Fully in control of second place behind the eventual winner, Charles Lakes, he lost his grasp of the horizontal bar, his last of the six routines, on a double somersault above the bar. He fell to the mat. Resuming the routine, he tried it again and slipped again. This time he fell to eighth place.

Tears flowed. Hayden was stunned. Floyd, who the Olympics open in five weeks, seemed farther away than ever. "It's just so hard to handle. I've been training 17 years."

It had already been a tearful night, caused by the withdrawal of Tim Duggett after competition on three of the six apparatuses. A member of the 1984 team that won a gold medal, Duggett had broken his leg and severed an artery competing last October in the world championships.

Few thought he would make it even this far. Yet pain in his leg persisted, and an amount of experience was going to get him through the final disciplines. One by one his fellow competitors congratulated him after his decision. The poignance of was not lost on any of them.

Duggett's withdrawal left Scott Johnson as the only link with the past. A teammate of Duggett's in 1984 and at 27 the oldest of the 23 competitors, he finished second.

Lakes had moved to the lead of competition after the third round of the compulsorys. He is an unusual gymnast, not only because he is one of so few blacks at the elite level, but because he views himself more as an artist than an athlete.

A 23-year-old Californian who was born in St. Louis, Lakes has competed all over the world but without much fanfare or success. He is known as a daring performer.



### Armbro Goal Wins Hambletonian

The Swedish-owned Armbro Goal and driver John Campbell, after winning the \$1,156,800 Hambletonian, the middle leg of trotting's triple crown, in straight heats Saturday in East Rutherford, New Jersey. In the first heat, Armbro Goal posted the fastest opening quarter-mile in the 63 years of the one-mile (1.6-kilometer) race, finishing in 1:54 3/5; in the second heat, after the fastest first half-mile, he had a clocking of 1:55 2/5.

### Lo Seoul, he will become the first black U.S. gymnast in Olympic competition.

Lo Seoul, he will become the first black U.S. gymnast in Olympic competition. Ron Gallimore would have been the first, in 1980, but the United States boycotted the Moscow Games.

### VANTAGE POINT/Ira Berkow

## The X Factor: Sugar Ray 'Rewired'

New York Times Service

NEW YORK — Many fans surely could have been knocked over by a feather when they heard the news last week that Sugar Ray Leonard had retired yet again.

Ray has drawn an X over his career three or four times, or thereabouts, and this was the third or fourth time, give or take a time or two, that he has taken craser in hand to gun out the X.

Then again, maybe in the past when we thought he was saying "retire," it wasn't so much that he mispoke, it was that we misheard. Maybe he was saying, "I retire," or "I rewire" — even the royal "We tire."

Leonard announced that he would fight Donny Lalonde in November for the World Boxing Council light-heavyweight title as well as for a newly created WBC supermiddleweight crown.

When Thomas (Hit Man) Hearns heard about it, he sprang to his feet and shouted that he wanted to win his fifth title, too (he has held four), and before Leonard got his — assuming, of course, that Leonard would dispatch Lalonde.

Now, to the uninitiated, this might have been startling news. After all, Hearns, so we thought, had recently announced, "I retire," although maybe he said "rewire," etc.

Much of the Western world, and the Eastern world, too, has not been waiting anxiously for anyone to win five titles in boxing, especially since now the ranks, like Burke's Peerage, are bulging with so many titles and initials.

Leonard said that part of his motivation was to be the first ever to win five professional titles, after having won the ornate welterweight, junior-middleweight and middleweight championship belts. Maybe he just needs belts and has never fancied suspensions.

Some believe that a fighter never comes back unless he needs money. They cite Joe Louis and Ray Robinson and Muhammad Ali and most recently the saggy George Foreman.

But Leonard seems to be in no financial difficulty (it must be confessed, though, that neither I or anyone I know has counted his money lately).

Leonard said he simply likes boxing, likes the art and science of it, and the psychic and esthetic and, not least, pecuniary rewards of that sometimes disconcerting occupation.

### Mills Paces U.S. Women

Phoebe Mills won the top spot on the U.S. women's gymnastics team. The Associated Press reported Saturday from Salt Lake City.

Also on the squad expected to challenge the reigning world champions from Romania are two-time NCAA champion Kelly Garrison-Stevens, Hope Spivey, Brandy Johnson, Chelle Stack and Melissa Marlowe.

### Mills won the floor exercise in Saturday's final round, her score of 9.963 effectively wrapping up first place.

Mills won the floor exercise in Saturday's final round, her score of 9.963 effectively wrapping up first place. Mills won the all-around title with 78.572 points after the two days of compulsory and optional routines that decided the Olympic squad.

### What Leonard does best in the world is punch someone and in turn dodge that someone's punch.

What Leonard does best in the world is punch someone and in turn dodge that someone's punch, as he did to frustrate Roberto Duran in their second fight, and to befuddle Marvelous Marvin Hagler, a bull in a china shop who became enraged because he couldn't find the china.

Pro athletes are always on the prowl for challenges, to continue to prove their mastery in their chosen field, often a field in which they have spent their lives, to the exclusion of other pursuits. Athletes are often as insecure as the rest of us, and base their self-esteem and self-worth on whom they've conquered recently.

Leonard appears no different. The 19th-century British philosopher Herbert Spencer once said to a young man who had just beaten him at billiards: "Moderate skill, sir, is the sign of a good eye and a steady hand, but skill such as yours argues a youth mispent."



Sugar Ray Leonard

ACROSS

- 1 Farm structure
- 5 Oct. predecessor
- 9 Stagers
- 14 Jail
- 15 — (loaf)
- 16 Apportion
- 17 Bewildered
- 18 One, in Berlin
- 19 Down-easier's state
- 20 Restrain
- 22 Speculate
- 23 — la
- 24 "Douce"
- 24 Wood smoothers
- 25 Coined money
- 28 Wood or Turner
- 29 Person's experience
- 31 — the joint
- 35 Buenos, Arg.
- 36 Garkunkel or Linkletter
- 37 Cleans the furniture
- 38 Affront
- 39 Dairies
- 41 Winter vehicle
- 42 Suave
- 43 Broke suddenly
- 47 Bullring cries
- 48 Headrest
- 49 Insolent retort
- 53 Azona of flowers
- 54 Curse or pledge
- 55 Aughty
- 56 British river
- 57 Word with cap or bone
- 58 State bird of Hawaii
- 59 Lesions
- 60 Put in the mail
- 61 Ample, to FitzGerald

DOWN

- 1 Thwart
- 2 Medicinal plant
- 3 Satten a flat
- 4 One overly concerned with details
- 5 Large ship
- 6 Author Jong
- 7 Hoodlum
- 8 Golf gadget
- 9 A 1927 hit song
- 10 Large antelope
- 11 Leave out
- 12 Hermit
- 13 Suffices with tip and tap
- 21 Lockups in the Navy
- 22 Magical baton
- 24 Toys man
- 25 Suffragette dollars: Abbr.
- 26 Beach toy
- 27 Beige
- 28 Tempted
- 30 Froppled a harem
- 31 Sidewalk section
- 32 Whence a flu flew in
- 33 British gun
- 34 To be, to Brutus
- 37 Bo of films
- 39 Ball of yarn
- 40 Protected the plants
- 41 Area once covered by Red Smith
- 43 Quarrels
- 44 Explosive, for short
- 45 Modify
- 46 S pifure or Zero
- 47 Belonging to a cereal class
- 48 Nemesis
- 50 Verily
- 51 Comedian Jay
- 52 "If you — Sufite..."
- 54 Gives approval

WEATHER

EUROPE	ASIA	NORTH AMERICA
Algarve 24 27 18 14	Bangkok 31 34 25 21	Anchorage 15 21 10 8
Amsterdam 24 27 18 14	Beijing 31 34 25 21	Atlanta 31 34 25 21
Algeria 24 27 18 14	Bombay 31 34 25 21	Boston 31 34 25 21
Amman 24 27 18 14	Calcutta 31 34 25 21	Chicago 31 34 25 21
Algiers 24 27 18 14	Chengde 31 34 25 21	Denver 31 34 25 21
Amman 24 27 18 14	Chongqing 31 34 25 21	Detroit 31 34 25 21
Amman 24 27 18 14	Colombo 31 34 25 21	Honolulu 31 34 25 21
Amman 24 27 18 14	Delhi 31 34 25 21	Houston 31 34 25 21
Amman 24 27 18 14	Dhaka 31 34 25 21	Los Angeles 31 34 25 21
Amman 24 27 18 14	Dubai 31 34 25 21	Madrid 31 34 25 21
Amman 24 27 18 14	Guangzhou 31 34 25 21	Mexico City 31 34 25 21
Amman 24 27 18 14	Harbin 31 34 25 21	New York 31 34 25 21
Amman 24 27 18 14	Hong Kong 31 34 25 21	San Francisco 31 34 25 21
Amman 24 27 18 14	Jakarta 31 34 25 21	Seattle 31 34 25 21
Amman 24 27 18 14	Jakarta 31 34 25 21	Toronto 31 34 25 21
Amman 24 27 18 14	Jakarta 31 34 25 21	Washington 31 34 25 21
Amman 24 27 18 14	Jakarta 31 34 25 21	Yokohama 31 34 25 21

DENNIS THE MENACE

JUMBLE

Unscramble these four jumbles. Write the words in the boxes below. Write the letters in the boxes below.

ZAWLT  
CLOON  
SOOMER  
DOUSIT

Answer here: THE

WHO SAW THE DINOSAUR ENTERING THE RESTAURANT?

Now arrange the circled letters to form the names of the four jumbles suggested by the above cartoon.

Friday's Jumble: DEMON VILLA FERRET BUTHE  
Answer: What she had to do after she married that crude old billionaire — REINE HIL

PEANUTS

BLONDIE

ANDY CAPP

WIZARD of ID

Solution to Friday's Puzzle

L	A	M	A	E	L	S	A	E	S	S	E
A	R	O	P	L	T	S	A	C	A	D	
V	E	R	S	A	T	T	L	E	S	T	R
A	S	P	E	L	L	P	E	T	O	L	E
S	A	L	P	A	M	A	N				
A	R	B	O	R	E	A	L	B	I	G	R
N	E	U	F	S	C	A	L	L	R	E	O
S	A	C	E	S	T	A	T	E	S		
I	L	K	W	A	I	Z	E	A	N	T	S
A	M	I	D	O	L	A	T	T	O	R	N
N	A	T	E	R	O	U	T	E			
I	N	G	R	E	S	S					
B	A	N	T	M	O	N	T	I	C	E	L
I	T	A	L	A	L	I	A	S	N	E	E
D	O	N	E	N	E	X	T				

DOONESBURY

GARFIELD

SOCCER

FRENCH FIRST DIVISION

Team	W	L	P	Pts
Paris Saint-Germain	12	1	1	35
AS Saint-Etienne	11	2	1	34
FC Girondins de Bordeaux	10	3	1	31
FC Nantes	9	4	1	28
FC Lorient	8	5	1	25
FC Metz	7	6	1	22
FC Sochaux-Montebellain	6	7	1	19
FC Valenciennes	5	8	1	16
FC Mulhouse	4	9	1	13
FC Auxerre	3	10	1	10
FC Troyes	2	11	1	7
FC Amiens	1	12	1	4

Mets R

SCOREBOARD

Major League Standing

Team	W	L	Pct.
Atlanta Braves	42	18	.700
Los Angeles Dodgers	41	19	.683
San Diego Padres	38	22	.630
San Francisco Giants	37	23	.615
Philadelphia Phillies	36	24	.600
St. Louis Cardinals	35	25	.583
Chicago Cubs	34	26	.566
Montreal Expos	33	27	.550
Florida Marlins	32	28	.533
San Francisco Giants	31	29	.517
Los Angeles Dodgers	30	30	.500
Atlanta Braves	29	31	.483
San Diego Padres	28	32	.467
San Francisco Giants	27	33	.450
Philadelphia Phillies	26	34	.433
St. Louis Cardinals	25	35	.417
Chicago Cubs	24	36	.400
Montreal Expos	23	37	.383
Florida Marlins	22	38	.367
San Francisco Giants	21	39	.350
Los Angeles Dodgers	20	40	.333
Atlanta Braves	19	41	.317
San Diego Padres	18	42	.300
San Francisco Giants	17	43	.283
Philadelphia Phillies	16	44	.267
St. Louis Cardinals	15	45	.250
Chicago Cubs	14	46	.233
Montreal Expos	13	47	.217
Florida Marlins	12	48	.200
San Francisco Giants	11	49	.183
Los Angeles Dodgers	10	50	.167
Atlanta Braves	9	51	.150
San Diego Padres	8	52	.133
San Francisco Giants	7	53	.117
Philadelphia Phillies	6	54	.100
St. Louis Cardinals	5	55	.083
Chicago Cubs	4	56	.067
Montreal Expos	3	57	.050
Florida Marlins	2	58	.033
San Francisco Giants	1	59	.017

MONDAY SPORTS

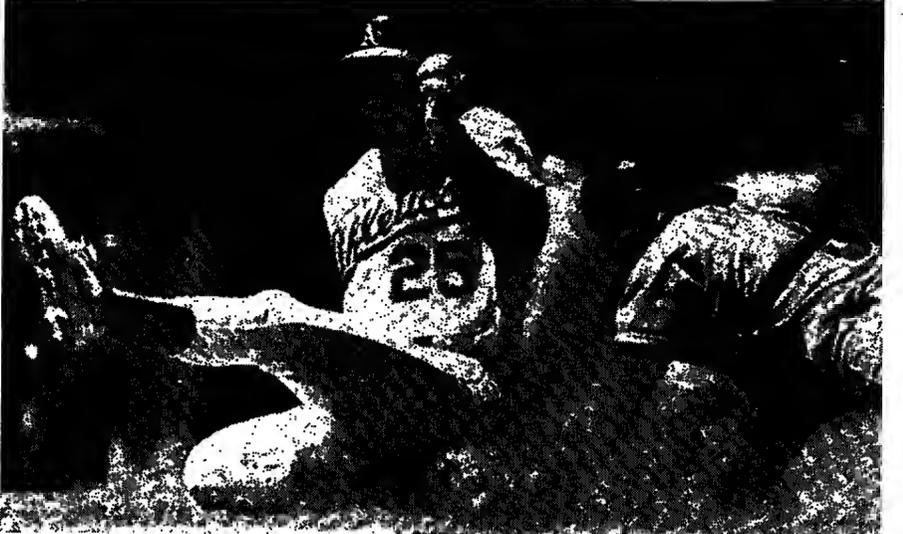
Mets Rout Pirates in 9th, Go 7 Up

PITTSBURGH — Pinch-hitter Kevin McReynolds' one-out single... The Associated Press

David Cone, improving his record to 12-2 with his first decision... Robinson, pinch-hitter Tim Lincecum

The bottom of the lineup did most of the damage for the Expos... The Expos now lead the Yankees

Red Sox 3, Tigers 0: In the American League, in Detroit, Mike Greenwell's double leading off the 10th inning



Mark McGwire, scoring above on Terry Steinbach's fourth-inning hit Saturday, drove in Jose Canseco with the game-winner in the ninth.

Canseco, at 30-30, Aiming Much Higher

OAKLAND, California — Jose Canseco became the 11th player in major-league history to hit 30 home runs and steal 30 bases in a season

Yankees 5, Twins 3: In New York, Ricky Henderson, who stole three bases, broke a seventh-inning tie with a sacrifice fly

walks and three balks, the last two scoring two runs and tying the one-inning major-league record



Coe Fails at 1,500 Meters in British Olympic Trials

Sebastian Coe, the only man to have won two Olympic 1,500-meter gold medals, finished fourth in Saturday's heats at the British track and field trials in Birmingham

SCOREBOARD

BASKETBALL

Friday's and Saturday's Major League Line Scores

Table with columns for team names and scores for Friday's and Saturday's games.

Major League Standings

Table showing league standings for American League, National League, and CFL.

FOOTBALL

CFL Standings

Table showing CFL standings for Eastern and Western Divisions.

SOCCER

French First Division

Table showing French First Division standings.

Auto Racing

Hungarian Grand Prix

Table showing results for the Hungarian Grand Prix.

TENNIS

MENS TOURNAMENTS

Table listing tennis tournament results for men's events.

TRANSITION

BASEBALL

Table listing baseball transition information.

NATIONAL LEAGUE

Table listing National League player statistics.

DRIVER STANDINGS

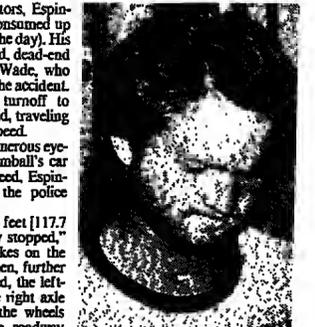
Table showing driver standings for auto racing.

Kimball: Lost Lives, Shattered Dreams

By David Falkner... TAMPA, Florida — There is an invisible line between beauty and catastrophe in any diver's life

for the Hillsborough County Sheriff's Department, said that, early Monday afternoon, Kimball and two companions, Colton Smith and Chuck Wade, had been in a local bar

(he later told investigators, Espinosa said, that he had consumed up to four beers earlier in the day)



Bruce Kimball

STUMBLING START — Dean Hamel of Washington wrapped up Pittsburgh's Merril Hoge in the early going, but the Steelers intercepted four passes in downing the NFL champion Redskins, 44-31, in the preseason opener for both teams

to pass with free time he had, Bruce Kimball and some of the other divers often visited the Happy Divers Bar, out far from his father's training camp

Advertisement for US OPEN SEIKO featuring a diver and promotional text.

POSTCARD

End of the Light Keeper

By Roger Cohn
New York Times Service
BURNT ISLAND, Maine —

There are certain things about being a lighthouse keeper that Henry Sieg, a Coast Guard petty officer, definitely will not miss: getting out of bed on cold, stormy nights; switching on the foghorn, rising at dawn and climbing the lighthouse tower to check the harbor buoys; bundling his children into neoprene survival suits in mid-January for an icy boat ride back to shore.

"I've got to tell my wife to remind me of those things when we're getting ready to leave here, and I feel like crying," said Sieg, who along with his wife, Jeanne, and their children is scheduled to move from their home on Burnt Island next month. "That will be a sad day for me. We're really losing something here. It's more than a home for us. It's a way of life."

As a cost-saving measure, the Coast Guard is replacing its lighthouse equipment with computerized equipment that will control signals from central on-shore locations. All of the 11 remaining U.S. lighthouses will be automated by the fall of 1989.

The U.S. government is looking for other uses for the lighthouses and the attached keeper's quarters, from maritime museums to bed-and-breakfast inns.

"It's a whole tradition that's passing," said Ken Black, a retired Coast Guard officer who operated a lighthouse museum in Rockland, Maine. "The light is still going to light, the foghorn is still going to sound like a foghorn. But there aren't going to be any people living there any more, and that means you will have lost the romance of the lighthouse, the idea of the lighthouse as a home."

For the Siegs and the other Coast Guard families who will be reassigned during the next 14 months, living in dwellings attached to lighthouses has not always been perfect. But it has certainly been unusual.

For some families, lighthouse duty has meant a chance to live along the most scenic parts of the U.S. coastline, in a picture-postcard Cape Cod house with a lighthouse towering above the roof.

Tina Wasserstrom recalled that her family was living in an "it's-bitty" apartment near Portland two years ago when her husband, Na-

than, a Coast Guard officer, was offered the post of assistant keeper at the Portland Head Lighthouse at Cape Elizabeth, Maine.

"He called me one day and said, 'How do you like to live in a lighthouse?' Mrs. Wasserstrom said, 'I really didn't know what to think. But then I came out here and saw how beautiful it all was, and I thought, 'Well, we'll never have another chance to live in a place as wonderful as this.'"

Not that life for a lighthouse-keeping family is without major inconveniences. The foghorn can drone on for days, especially along the foggy Maine coast, causing loss of sleep and generally driving inhabitants to distraction. And the schedule is restrictive, with keepers required to be at their stations from sundown to sunrise, permitted to leave their posts only in good weather and for a maximum of four hours during the day.

"We haven't been out at night in five years," Sieg said. "I feel like a vampire in reverse."

At some of the more remote island lighthouses, just going to town to pick up the mail or a gallon of milk can be a trying experience. From Burnt Island, near Boothby Harbor, the Siegs must take a 20-minute trip in an open wooden boat to reach the nearest village. In winter, a Coast Guard ship breaks a path through the ice so they can make it to shore.

And when they return to the island, the Siegs sometimes have to wait more than an hour for the tide to come in before they can safely land on the island's rocky beach.

"You have to be the type of person who's basically self-sufficient," Mrs. Sieg said. "This kind of life would not agree with everybody."

At the Portland Head Lighthouse, the keepers face a far different problem. They must contend with a daily invasion of tourists, who stop at Cape Elizabeth to visit one of the nation's earliest lighthouses, commissioned by George Washington and built in 1791.

The Artist as Aphorist: Jenny Holzer's Messages

By Michael Brenson
New York Times Service

NEW YORK — The selection of Jenny Holzer to represent the United States in the 1990 Venice Biennale illuminates a lot more than one admirable artist and the art she has helped invent.

It sheds light on curatorial thinking in the United States and on standards by which American artists are being evaluated. It demonstrates the enormous power of the summer exhibition circuit in Europe, on which the Biennale is one stop.

If Holzer had not had a chance to shine on this circuit in 1987, she would not have been given the green light to represent the United States in the most prestigious international exhibition of 1990.

There is nothing approaching a consensus on Holzer's work. Because of its dependence upon electronics and words, it has been understood almost as specialist art, with inherent limits.

In addition, the work has developed so rapidly in the last three years that only devoted followers can keep up with it. Holzer has been exploring old as well as new materials. She has been combining inert, bulky stone with electronically speeding words.

The proposal for Venice includes an installation in the U.S. pavilion using electronic signboards and rings, laser beams, wood benches and stone sarcophagi. On columns outside the pavilion, there are plans for electronic signs.

The selection of this solid and still emerging artist by an advisory committee of seven museum professionals, brought together by the National Endowment for the Arts and the U.S. Information Agency, is intended to send several messages.

It is a statement of change. Holzer is the first woman to be awarded the U.S. pavilion at the Biennale. Her work reflects the widespread interest in site-specific, socially concerned art. Coming after the sculptor Isamu Noguchi and the painter Jasper Johns, at the 1986 and 1988 Biennales, the selection argues that the United States should also use the Biennale to project an image of itself as a country that continues to encourage experiment and risk.

But the selection sends more implicit messages as well. One is the importance of what now amounts to a summer circuit of international group exhibitions in Europe. It is more and more apparent that participation in international exhibitions begets participation in other international exhibitions, and artists who are not allowed to

enter the international circuit may not be eligible for the most prestigious prizes at home and abroad.

In addition, Holzer was chosen in part because the advisory committee was looking for an artist who was particularly American. With her inclusiveness and her vernacular materials and language, Holzer embodies an American ideal of democracy. It is the combination of experimental form and traditional American content, and the way they are fused together, that makes her less a controversialist than a logical choice at this time.

Jenny Holzer was born in Gallipolis, Ohio, in 1950. She studied at the Rhode Island School of Design, moved to New York in 1976 and divides her time between homes on the Lower East Side and on a former dairy farm in upstate New York.

"She has an incredible knack for creating work under pressure and getting what she needs without having to jump up and down."

Michael Auping, commissioner of the U.S. pavilion for the Biennale.

with her husband, the painter Mike Glier, and their 2-month-old daughter, Lili. She is an artist of words, not images; she could be described as an artist for whom words are images. She is primarily known for electronic messages in which the medium has everything to do with the way they are perceived.

The messages may be aphoristic. Content matters. "Protect Me From What I Want" reads the sign below the gaudy red lights of Caesars Palace in Las Vegas. "Murder has its sexual side," and "Myths make reality more intelligible," read two electronic messages above Dupont Circle in Washington at night.

"Lack of Charisma Can Be Fatal" lighted up the scoreboard of Candlestick Park in San Francisco during a lazy moment of a day baseball game.

On her LED (light-emitting diode) signboards, words move fast or slowly, up or down. They may be a sequence of truisms

or a string of inflammatory statements. The subjects may be private responses to sex or general expressions of anxiety about nuclear war. All the texts are phrased in ways that make them seem private and public, solitary and shared. There may be so many voices in a work that the point of view is impossible to determine.

Yet there is a point of view. Holzer is against power. She also wants to make room for thoughts and feelings that people keep to themselves and that art has generally excluded.

Her installation at the 1987 Documenta exhibition in West Germany included two granite sarcophagi. Written into each stone were traces of a life, one of a peculiar but generic man, the other of a peculiar but generic woman. On the back wall, the same words reced up and down electronic signboards. In this frenetic and funereal atmosphere, the blend of old and new materials, and of two very different human responses, was moving and jarring.

For many people, however, her work is just too thin. There is a persistent belief that using words as visual art is intrinsically limited, and that that has to be read cannot begin to have the full, rich texture of painting or sculpture.

Another issue is Holzer's ambivalence toward the mass media. There is a clear sense that she both loves and believes in the popular media through which information is disseminated, and that she is scared to death by their ability to influence what and how people think.

This ambivalence is crucial to the work of other prominent artists of the 1980s, including Barbara Kruger and Cindy Sherman, whose art is, on one level, a mirror held up to the media of television, advertising, fashion and film. Someone who does not have this ambivalence can only respond to their work up to a point.

The selection of Holzer was essentially made by the Advisory Committee for Major International Exhibitions, a group of museum directors and curators that will probably advise the government on the 1989 São Paulo biennale as well.

For Venice, the committee solicited ideas from about 45 curators. Twenty-two replied. Media-based art was a recurrent theme. Several curators were asked to develop their proposals and provide documentation and budgets. There were seven finalists. The selection of Holzer was unanimous.

The committee's belief in Holzer and confidence that the timing of the Venice

AFFLUENT COLLEGE-BOUND STUDENTS FACE THE REAL PROSPECT OF DOWNWARD MOBILITY. FEELINGS OF ENTITLEMENT CLASH WITH THE AWARENESS OF IMMINENT SCARCITY. THERE IS RESENTMENT AT GROWING UP AT THE END OF AN ERA OF PLENTY COUPLED WITH REASSESSMENT OF CONVENTIONAL MEASURES OF SUCCESS.



Jenny Holzer and work: Loving and using and being scared by mass media.

Jenny Holzer will make as much a sense in 1990 as it may have made this year, when media-based art is still prominent, has a good deal to do with her performance in international exhibitions.

"The body of work I saw last summer at Documenta, Münster and in Paris confirmed for me that she really is an important younger artist who is pushing herself and continuing to grow," said Linda Shearer, a curator at the Museum of Modern Art and a member of the committee.

Not only does this show confirm to the committee the quality and growth of Holzer's work, but they demonstrated that she had the competence to realize a project as demanding as a site-specific installation in Venice.

"In Münster, she was in an extremely competitive artistic situation and had to deal with an incredible bureaucracy," said Michael Auping of the Albright-Knox Art Gallery in Buffalo, New York, who submitted the Holzer proposal.

He will be commissioner of the U.S. pavilion at the 1990 Biennale. "In a situation where art is inevitably compromised, her work stood out," he said. "She has an incredible knack for creating work under pressure and being flexible and getting what she needs without having to jump up and down. There is a certain practicality about Jenny Holzer that is absolutely disarming. I have never seen her try to intimidate anyone, and it works for her."

While international exhibitions may provide invaluable insight into an artist's work, their effect on the options and reputations of artists is troubling.

Holzer could not have proved herself in an international arena if she had not been invited to enter it, and invitations inevitably depend, to some degree, upon topicality. The focus of Documenta was socially oriented art; the focus of the sculpture show in Münster in West Germany was socially oriented, site-specific art. Holzer was an understandable choice for both. What does this mean for artists who have never been topical and who will always go their own way? Some of the best American artists, including Elizabeth Murray and Martin Puryear, are virtually unknown abroad.

The selection process also calls attention to the potency of a particular American myth. The advisory committee was looking for an artist who would not only represent American art at the end of the 1980s, but whose art would make a very American statement.

The American aspect of Holzer's work that seems to have most engaged committee members was what Ned Rifkin, the chief curator of exhibitions at the Hirshhorn Museum and Sculpture Garden in Washington, and a member of the committee, called its "democratic nature."

Her work is almost a repository for the voices of men and women around the country. Many opinions, feelings and ideas are invited into her work, and they are allowed to seethe there without fear of exclusion or judgment. Her work fits America's view of itself as a melting pot in which everything and everyone eventually gains a place.

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